

# Action Handbook *for boards*

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NATIONAL  
MINORITY  
AIDS  
COUNCIL



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*This handbook is organized in small sections to make it easy to copy a few pages at a time to distribute to board members.*

DESIGN: AUDREY J. DENSON

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National Minority AIDS  
Council



Dear Colleague:

“Boards can be a vital link between our communities and the agencies which have grown out of them. To be as successful as we can be, we *need* boards to function well.” That is why we created this manual in 1995. Yet, there is a continuing need for boards to increase their capacity to lead. Thus we have reprinted this manual so that organizations will have the necessary tools to guide them to success in the 21<sup>st</sup> century

Since 1987, NMAC has been committed to developing leadership within communities of color to address issues of HIV infection. Our work in technical assistance and skills building is part of this commitment. Today, we recognize the need for our communities to look toward the future and provide leaders and institutions that are creative and ready to work for change.

The purpose of this **Action Handbook for Boards** is to provide a tool that will help your community-based organization excel. We hope this handbook helps your board manage itself more effectively in the increasingly complex world of HIV/AIDS service delivery.

We would like to thank Jude Kaye, Jan Masaoka, and the staff of the Support Center of San Francisco (*now called CompassPoint Nonprofit Services*) for helping to make the dream of this manual a reality. A special thanks goes to Audrey Denson for her enthusiasm, her brilliant layout work and creativity in helping to make this manual attractive to read. Last but not least, we would like to thank the Centers for Disease Control and Prevention whose funding support made this manual possible. ✓

The Action Handbook is dedicated to all the board members and executive directors who work to support communities and institutions of color.

Sincerely,

**Paul Akio Kawata**  
*Executive Director*

**Faith M. Hunter**  
*Acting Director, Technical Assistance*







# ACKNOWLEDGMENTS

## Letter from Paul

**T**his manual owes its existence to two people: Paul Kawata and Jude Kaye. Paul is the visionary Executive Director of the National Minority AIDS Council, whose foresight and commitment to technical assistance has brought into the world not only this manual, but the Finance Manual, Strategic Planning Manual and a wide array of services to NMAC members and others. Jude Kaye, Senior Staff Consultant of the Support Center for Nonprofit Management, is not only the major resource for and sharpest critic of this publication, but also its inspiration.

Many people contributed to this manual by participating in planning meetings, reviewing drafts and making suggestions, including Harold Phillips, Jackie Coleman, Jennifer Gough, David Barre, Manuel Magaz and members of NMAC's Washington staff, as well as Mim Carlson, Andy Cochran, Brenda Crawford, Gary Levinson, Kat Rosqueta, Omowale Satterwhite and Tim Wu. Much of the thinking behind this handbook was developed jointly with Mike Allison, who also contributed a great deal by his thoughtful critique of drafts. The many executive directors and board members with whom all of us have worked as colleagues, clients, and fellow board members are also partners in the development of this manual. The author would also like to thank Ellen Clear for her editing work, and the current and former members of the board of the Support Center for Nonprofit Management, whose examples have been instructive as well as inspiring, with special thanks

to Sally Carlson Boose, Angela Davis, Liz Harvey, Jules Mayer, and Kathleen Schuler.

## ABOUT THE AUTHOR

**Jan Masaoka** is Executive Director of the Support Center for Nonprofit Management where she works with a wide range of nonprofit organizations in financial management, boards of directors, and program evaluation. She co-authored *Finance Manual for AIDS Organizations*, published by NMAC in 1993. Other published work includes *Why Boards Don't Govern* (a chapter in the University of Indiana's Taking Trusteeship Seriously), as well as articles in the *Chronicle of Philanthropy*, *Nonprofit Times*, *National Center for Nonprofit Boards newsletter*, and other publications. Jan has been a board member of a wide range of nonprofit organizations; she is also a Lecturer in Golden Gate University's Graduate School of Public Administration. She is Treasurer of the Haigh-Scatena Foundation and an Advisory Committee member of Living Well Asian Pacific Islander AIDS Services.

## ABOUT THE NATIONAL MINORITY AIDS COUNCIL:

The National Minority AIDS Council (NMAC) was formed in 1987 to develop leadership within communities of color to address issues of HIV infection. Our members are community-based organizations that deal with AIDS on the front lines—in hospitals and clinics, shelters and schools, storefronts and streets. Thousands of men and women of color rely on such



organizations for outreach, care, education, housing and support services. NMAC's goals are to lend visibility, leadership, comprehensive technical assistance and a powerful national voice to these front line AIDS workers.

#### **The National Minority AIDS Council:**

- develops and guides national public policy initiatives on HIV/AIDS infection in communities of color.
- creates forums to address new critical issues for our communities, such as tuberculosis prevention, burnout recovery and leadership development.
- provides technical assistance on organizational development to community-based organizations (CBOs), such as trainings on financial management, fundraising, grant writing and evaluation, and volunteer program management. Technical assistance newsletters and manuals give CBOs tools targeted to their immediate organizational needs.

#### **ABOUT THE SUPPORT CENTER FOR NONPROFIT MANAGEMENT:**

The Support Center for Nonprofit Management works with nonprofit staff and volunteers in areas such as boards of directors, accounting and financial management, strategic planning, organization development, meeting management, program evaluation,

and computer applications. Through consulting, workshops and publications, the Support Center for Nonprofit Management, based in San Francisco, seeks to develop and support the creative, important work of the nonprofit sector. In 1994, the Support Center for Nonprofit Management held 550 workshops for Bay Area nonprofit managers and worked with 201 nonprofits in consulting assignments. Special programs include the AIDS Agency Management Assistance Project (AAMAP) which provides comprehensive, specialized services to HIV/AIDS service organizations, and Board Match Plus, which recruits and places individuals on boards of directors. The Support Center for Nonprofit Management is a member of the national network Support Centers of America.

#### *Editor's Note:*

*In January 2000, the San Francisco office of the Support Center for Nonprofit Management changed its name to CompassPoint Nonprofit Services. CompassPoint has offices in San Francisco and San Jose, California. For more information, call (415) 541-9000 or visit [www.compasspoint.org](http://www.compasspoint.org).*





## INTRODUCTION

**B**oards of Directors can be a tremendous source of strength, solace, support and inspiration for staff, volunteers, clients, and the larger community. They help keep organizations on track by providing vision, raising money and political support, and representing clients in the halls of power. They also can be looked to for advice on a new brochure and where to buy inexpensive furniture. Perhaps most importantly, boards can be a vital link between our communities and the agencies which have grown out of them. To be as successful as we can be, we *need* boards to function well.

But too often, the board experience is unsatisfying and frustrating to both board members and staff. Board members are often uncertain about *how* to be effective. Sometimes board members get burned out by too much responsibility and too much work; at other times board members feel irrelevant and ignored. People on staff sometimes complain that board members are “micro-managing,” meddling, and stepping on the toes of the grassroots providers who know better. At other times staff feels that the board isn’t paying enough attention, is ineffective, or isn’t “doing its share,” particularly in terms of fundraising.

## How To Use THIS HANDBOOK

This handbook provides practical, hands-on advice for board members, executive directors, and other staff. It is organized in small sections so that two or three pages can be photocopied and distributed in “bite-sized” pieces at board meetings or through the mail. There are examples throughout the handbook, based on real-life organizations, although all the organization names—taken from trees—are fictitious.

This handbook presents a “travel guide” for the journey on which boards and organizations embark. It offers choices for boards to make in structures and division of responsibilities, and discusses why different choices are appropriate for different situations. It explains the legal responsibilities of boards and suggests best practices for how boards work. Different sections of this handbook will be useful to you at different times. Like any travel guide, it is designed for browsing and for future reference. You’ll want to study some sections closely and skip over others.

Although the principles in this handbook are applicable for all boards, this handbook was specifically written for boards of community-based HIV/AIDS service organizations. It is not a theoretical book about boards, although it is informed by a stance among competing schools of thought. Perhaps most importantly, this handbook is not an answer to everything. Instead, we hope it will act as a starting place from which boards and staff can find the paths that are best for them.

## **A SPECIAL WORD TO EXECUTIVE DIRECTORS:**

The executive director's role in managing and assisting the board is perhaps the most paradoxical of all relationships in the nonprofit sector. On the one hand, the board is the "boss," and leads and directs the organization's vision. On the other hand, the executive director informs, advises, and often provides leadership to the board.

Executive directors often wonder why they have to "go through the motions" of board involvement when they really know best. Most executive directors wish at least once for a board that simply does what it's told—except for heaping praise on the staff and raising lots of money on its own.

Rather than ignore the paradox or the frustrations, this handbook seeks to turn acknowledgment of the paradox into an advantage. In some ways the board's role is to support the staff, and in other ways the board's role is to govern, with staff submitting to the board's authority. All along the way, this handbook provides conceptual and practical tools for the various roles executive directors have to play when working with their boards.

Other members of your staff may be less experienced or knowledgeable about how boards work. Giving this handbook to your staff may help them be more understanding when board members act in certain ways, or when you ask them to perform tasks for the

board. As the executive director, you can be a facilitator of meaningful exchange between staff and board, rather than a gatekeeper, maintaining control of all information flowing in either direction.

And don't forget: board members too need praise and recognition for their good work, both individually and as a group. It would be easier for them to go home after work rather than come to a board meeting where there is likely to be at least one boring stretch and at least one aggravating stretch. Simply because they want to help, board members give up Saturdays for retreats, fold flyers for benefits, call their friends and ask for contributions, and argue with each other over the right steps for the organization.

It's hard to "get around to" working with the board when there always seem to be more immediate concerns in the office. But strong boards are critically important in the *long-term* fight for HIV/AIDS services, research, and education in our communities. As the executive director, the leadership you provide to the board may not be recognized or appreciated by others, although helping the board be effective is one of your most important responsibilities. We hope this handbook helps you and your boards in the struggle ahead.

## **A SPECIAL WORD TO BOARD MEMBERS:**

As rewarding as board service can be, many board members often find it frustrating as well. Different







board members may have differing views about how matters should be conducted, and you may feel at times that others simply aren't doing their part. Working with the staff can have its ups and downs as well—at one moment they ask you to do hours of menial labor, yet at the next they take offense at a suggestion and accuse you of “micro-managing.” Sometimes staff demand that the board “set a direction,” yet at other times it seems as if they only want you to rubber-stamp decisions they have already made. Meetings often are clogged with administrative details, yet you joined the board intending to engage in meaningful discussions about the HIV-related needs of the community.

This handbook is for you, your fellow board members, and the executive director of your organization. It is meant to establish a framework in which your work can be more effective, and in which you can make a meaningful contribution to the agency's work. One way this handbook can help bring board members to a common understanding is to photocopy separate sections and distribute them with board packets. For example, if a discussion is coming up on finances, you might send out the section on “Financial Responsibilities of Boards.” Over time, both the board and staff will know more, and will have more concepts in common.

Although the key reason people join boards is to fight the epidemic and bring about social change, there is much more to be gained. By volunteering on an AIDS service organization's board, those of us who

do not work in the AIDS field can learn a great deal about people, politics, medicine, and government. Many board members meet new people on boards, some of whom become close friends, business associates, and customers. Board service is a way to learn new skills and to apply those skills in important ways.

Imagine being on the board of a business in which you had invested \$100,000 of your own money. You would probably attend every meeting and read the advance materials carefully. You would learn more about the field to be sure that your company was staying abreast of developments and trends. You would ask “tough” questions to be sure that your investment was being used to its best advantage. Of course, you may not have “invested” \$100,000 of your own money into the nonprofit organization on whose board you participate. But we—all of us—*have* invested government, foundation, and individual funds in that organization. The community and clients have entrusted you with their well-being. All of us look to *you*—the board of directors—to represent client interests and to ensure that the community's “investment” pays off by improving the lives of the individuals served and the community in which we live.

**Executive directors often wonder why they have to “go through the motions” of board involvement when they really know best.**





## WHAT ARE THE RESPONSIBILITIES OF THE BOARD?

A Board of Directors is a required organizational component of a corporation and boards have formal responsibilities for directing an organization. A discussion about boards begins with the nonprofit corporation.

### WHY DO NONPROFITS HAVE BOARDS?

A group of people sitting around a kitchen table decide to launch a new organization. Typically, such a group would choose to *incorporate*, that is, to form a *corporation*, in order to give the organization a legal framework. A corporation is like a fictitious person, who, instead of the real individuals involved, can sign leases, hire staff, and engage in business activity.

A next step is to obtain nonprofit, tax exempt status for the corporation (at both the federal and state levels). Being a nonprofit, tax exempt corporation has some important advantages. Corporations identified as 501(c)(3) organizations (after the section in the Internal Revenue Code which describes them) enjoy several important advantages; they:

- Do not pay income tax on income made by the corporation;
- Can accept donations that are tax-deductible to the donor;
- Are eligible for foundation and government grants that are only for nonprofits;
- Are eligible for nonprofit bulk mail postage rate; and
- Are eligible for state and county tax benefits in some areas.

The government grants these tax advantages to nonprofits because nonprofits provide services to society which may not be provided through the commercial sector. (It is estimated that the tax benefits to nonprofit organizations represent about \$30 *billion* each year.)

The members of the Board of Directors of a *for-profit* corporation represent the stock owners—the shareholders—of the company. On behalf of the shareholders, the board members hire and oversee the head of the company, review financial performance, and make sure that the company is headed in the direction that will result in profit for the shareholders.

The members of the Board of Directors of a *nonprofit* corporation represent the *public*. The board acts as the representative of the government, to ensure that the funds are used for the organization's nonprofit purpose, rather than to make the board members or staff members wealthier. The board also acts as the representative of the clients, to ensure that services are of good quality, appropriate, and accessible. Finally, the board acts as the representative of the donors, to ensure that funds are spent for maximum impact.

The formal responsibilities of boards of directors are:

- To ensure that the organization stays in compliance with laws and regulations relating to nonprofit corporations;
- To ensure that the organization uses its resources towards fulfillment of its mission as stated in its tax-exempt purpose;
- To determine the organization's mission, strategies and program priorities; and
- To hire a Chief Executive Officer (CEO, frequently called the Executive Director) to manage the corporation.



To fulfill these responsibilities, the board must have adequate knowledge of the organization's operations and be in control of important decisions. This important work often takes the form of detailed discussions about administrative and financial matters. A constant challenge for board members is to remain aware of the link between administrative responsibilities and accountability to clients.

HIV/AIDS service organizations, like other nonprofits, need boards not only for legal reasons but because boards contribute immensely to an organization's ability to succeed. By the very act of serving on the board, board members demonstrate through volunteer leadership both the contribution of the community and the community's responsibility to lead. Acting for the public and the community, the board of directors also has a special role as the conscience of the organization—ensuring ethical and effective work that makes a difference in the world.



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## THE BOARD RESPONSIBILITY MATRIX

There are two fundamental types of board responsibility: governance and support, each of which has distinctive characteristics, shown in the chart below.

On one hand, the board, acting as the formal representative of the public, *governs* the organization's affairs. At the same time, board members help *support* the organization by volunteering, raising money, and advising.

THE BOARD RESPONSIBILITY MATRIX	
The board acts to govern the organization	The board acts to support the organization
<i>Objectives</i>	
<ul style="list-style-type: none"> <li>To represent the <i>community's</i> interests within the <i>organization</i></li> </ul>	<ul style="list-style-type: none"> <li>To represent the <i>organization's</i> interests in the <i>community</i></li> </ul>
<i>Process for action</i>	
<ul style="list-style-type: none"> <li>The board acts as a body</li> </ul>	<ul style="list-style-type: none"> <li>Board members act as individuals or through committees</li> </ul>
<i>Responsibilities</i>	
<ul style="list-style-type: none"> <li>Determine mission and purpose.</li> <li>Legal: Ensure compliance with federal, state and local regulations, and fulfillment of contractual obligations</li> <li>Financial: Safeguard assets from misuse, waste, embezzlement</li> <li>CEO: Select the Chief Executive Officer (usually called the Executive Director), monitor &amp; evaluate performance.</li> <li>Planning: Determine strategies and overall priorities</li> <li>Programs: Determine the organization's program priorities, monitor implementation and conduct program evaluations to measure impact</li> <li>Efficiency &amp; impact: Ensure a realistic budget that maximizes use of resources</li> </ul>	<ul style="list-style-type: none"> <li>Fundraising: Develop fundraising strategy; ensure adequate resources by raising funds and assisting staff in raising funds</li> <li>Public relations and community contacts: Act as ambassadors to the community on behalf of the organization and its clients</li> <li>Volunteer recruitment and volunteering</li> <li>Act as individual advisors: advise staff in areas of expertise, act as a sounding board for executive director and other executive staff</li> <li>Lend names and personal credibility and reputation to the organization to use in brochures, grant proposals, and other formats</li> </ul>





Much of the confusion about board responsibilities is confusion between what the board should do as a group, and what individual board members should do. For example, although the board as a whole is responsible for evaluating the executive director, the board president as an individual doesn't have the authority that a supervisor has with a subordinate. The board president is not a supervisor, but instead, acts as a convenor and leader for the board, which as a group provides feedback and direction to the executive director.

### **EVOLVING ORGANIZATIONS AND CHANGING BOARD ROLES**

Nonprofit organizations change over time and need their boards to play different roles in different phases. In a similar way, parents have specific legal responsibilities towards their children, but at different times they play different roles in their children's lives. But unlike the sequential stages through which children grow up, organizations often don't go through these phases in sequence. Instead, organizations evolve and change in many different directions in response to both external and internal changes.

**Newly formed, all-volunteer organization:** the board is the delivery system. In most new organizations (and in some older organizations as well), board members are the ones who do the work of the organization, whether that work is practical support to people with AIDS, writing and publishing a newsletter, or speaking to classrooms about AIDS prevention.

New organizations often consist only of volunteer board members before adequate funding has been obtained to hire staff. These boards are referred to as hands-on boards. (Although hands-on boards are usually associated with new organizations, the format works well for many organizations on a long term basis. In particular, coalitions, consortiums and

advocacy organizations often work best as hands-on boards.)

In all-volunteer organizations, the board usually works as a team, deciding as a group what needs to be done and then assigning responsibilities around the table. In effect, such a board is really the board and staff rolled into one group.

When an all-volunteer organization *does* hire staff, it often chooses to hire staff that assists the board in carrying out the organization's work. Hands-on boards typically first hire support staff, such as a secretary to the board, or sometimes a specialist who does technical work.

The challenge for boards of volunteer organizations is: To ensure that along with the activity and satisfaction of the work, the responsibilities of governance are covered as well.

**Organizations in transition:** Over the last several years, many community-based HIV organizations have made a change from all-volunteer, hands-on boards to organizations with paid professional staff and governance boards. In transition, boards must move from being the "do-ers" to being "delegators" who oversee the work of others. This transition is made more difficult because in some areas the board continues to be "the boss" by overseeing programs and finances and by evaluating the CEO, but in other cases the board must learn to take the lead from staff and support the work of the paid staff.

During this transition, board members may at first feel relieved that there is paid staff to carry on much of the work, but also have a difficult time "letting go" and finding meaningful activities of their own.

For many AIDS providers and other organizations with roots in community activism, this transition is often in parallel with a transition from an activist organization to a human service agency.

**Much of the confusion about board responsibilities is confusion between what the board should do as a group, and what individual board members should do.**



The challenges for the board of an organization in transition are: to allow staff to take the lead and some of the control without simply dumping work and responsibilities onto staff. The board must work to gain the stability needed for becoming a provider agency, but not lose the "edge" and commitment of an activist organization.

**Stabilized, primarily staff-managed, board-governed organization:** In contrast, most mid-sized and larger organizations rely on paid staff to carry out the work of the organization. The responsibilities of the board and staff are distinct, and the board's responsibilities are primarily those of *governing* the affairs of the organization. Governance boards focus on two areas of activity: *governing* the organization (including program and financial oversight) and *supporting* the organization through fundraising, public relations, and other work. A governance board gives direction to staff through planning and program discussions, and then assists staff with the implementation of those plans.

**A special note regarding fundraising:** In some organizations the governance role of the board has diminished and the board's activities focus nearly entirely on fundraising and support. These boards still have the same legal, formal responsibilities as other boards, but perhaps because the organization has been stable and unchanging for some time, or perhaps because the organization is formed around the vision of an exceptional leader, the role of a board is nearly entirely that of a supporter. This model is most clearly seen in arts organizations, where boards of dance troupes and orchestras do not presume to set the artistic vision for the organization.

The challenge for governance boards is: To avoid becoming too removed from the issues and services, and as a result being unaware of developing problems and failing to exercise meaningful leadership.

**Organization in crisis:** When an organization is in crisis, the board must transform itself quickly to be able to meet the immediate needs. Examples of inci-

dents that set off crises are: discovery of an immediate financial problem such as inability to meet the payroll, sudden loss of significant funding; charges of sexual harassment or racial discrimination; the emergence of highly damaging revelations about individual staff or agency practices; and eruption of an internal conflict that brings normal operations to a halt.

In crisis, board members show remarkable commitment: they work out cash flow projections, call creditors and ask for extensions, endure very long meetings on tense matters, and in other ways step up to the responsibilities with which they have been entrusted. In some crisis situations the board's most important role is to demonstrate dramatically their support of actions that staff have taken. In other crisis situations the board must act decisively to take day-to-day management control away from staff while an investigation is undertaken.

The challenges for the board when an organization is in crisis are: To give fair consideration to all the options, and when the crisis passes, to give operations back to staff.







## Board Member Contract

I, \_\_\_\_\_ understand that as a member of the board of directors of \_\_\_\_\_, I have a legal and moral responsibility to ensure that the organization does the best work possible in pursuit of its goals. I believe in the purpose and the mission of the organization, and I will act responsibly and prudently as its steward.

As part of my responsibilities as a board member, I will:

1. Interpret the organization's work and values to the community. Represent the organization and act as a spokesperson.
2. Attend at least 75% of board meetings, committee meetings, and special events.
3. Make a personal financial contribution at a level that is meaningful to me, and ask others to join me in contributing to the agency.
4. Act in the best interests of the organization, and excuse myself from discussions where I have a conflict of interest.
5. Stay informed about what's going on in the organization; ask questions and request information. Participate in and take responsibility for making decisions on issues, policies and other board matters.
6. Work with staff and other board members as partners towards achievement of our goals.

Signed:

\_\_\_\_\_  
Member, Board of Directors

Date: \_\_\_\_\_

for the Board of Directors:

\_\_\_\_\_  
President, Board of Directors

Date: \_\_\_\_\_

*Have the Board President sign two copies of this Contract, and ask new board members to sign them, return one copy to the Board President, and keep the other for reference.*

**When an organization is in crisis, the board must transform itself quickly to be able to meet the immediate needs.**

## WORKING WITH A FISCAL SPONSOR

At the beginning of a nonprofit organization's existence, the people involved often want to get started faster than the legal process of incorporation can proceed. An alternative is to begin by operating under the auspices of another organization. The sponsoring organization is often referred to as the fiscal agent, or fiscal sponsor.

The fiscal sponsor is a 501(c)(3) organization that "lends" its nonprofit status to the new organization. Imagine that a new AIDS organization in the local community—let's call it Acorn HIV Services—asks an established organization such as the Oak AIDS Foundation—to act as its fiscal sponsor. The Oak AIDS Foundation is confident that the activities of Acorn HIV Services are tax-exempt in nature. Donors and grantmakers make out their checks to "Acorn HIV Services, a project of the Oak AIDS Foundation," and the checks are deposited into bank accounts of the Oak AIDS Foundation. As a result, the new Acorn HIV Services can begin receiving grants and tax deductible donations right away.

The fiscal sponsor and the fiscal client must decide how they will handle a variety of financial affairs. On one end of the spectrum of this relationship, the fiscal sponsor "makes a grant" to the fiscal client organization of whatever funds come in. The fiscal client has its own checking account and manages its own financial activity. On the other end of the spectrum, the fiscal sponsor holds the funds received, and on request of the fiscal client, writes checks directly for the fiscal client's rent, payroll, supplies, etc.

Of central concern is that the fiscal sponsor (and its board) bears the legal responsibility for actions of the fiscal client. If, for example, payroll is incorrectly handled, or the fiscal client engages in unallowable electoral activity, the fiscal sponsor will be held liable and responsible. As a result, fiscal sponsors usually seek some measure of accountability from their fiscal clients, such as regular financial and activity reports. Most fiscal sponsor organizations also charge a fee for their services. If the fiscal sponsor does the accounting, payroll, and manages all the financial activity, it may charge a fee of 5% - 20% of all funds coming in.

On the other side, fiscal clients want assurances that their funds are being held safely and have not been "borrowed" by

the fiscal sponsor. Fiscal clients need to receive regular financial reports demonstrating financial accountability.

Fiscal sponsor/client relationships sometimes prove to be so beneficial they go on indefinitely. For smaller organizations, the relationship may be an easy and inexpensive way to get the financial accountability and accounting staff that they cannot afford to keep on their own staff.

However, fiscal sponsorship can cause complex legal problems for either or both sides. Regardless of how the relationship is defined, a written agreement should be drawn up that details the responsibilities of each side. A comprehensive guide to fiscal sponsorship is attorney Gregory Colvin's *Fiscal Sponsorship: Six Ways to Do It Right*, available through Silk, Adler & Colvin in San Francisco at 415-421-7555. Boards should consult this book and consider legal advice as they consider establishing such a relationship.







## WHAT IS AN ADVISORY BOARD AND SHOULD WE HAVE ONE?

The Board of Directors of a nonprofit organization is its legal, governing body. In contrast, an Advisory Board does not have any legal, formal responsibilities. Rather, an Advisory Board is convened by the organization to give advice and support.

There are three common reasons why AIDS agencies choose to convene Advisory Boards, illustrated in the following examples:

- Eucalyptus AIDS Services has a fundraising Board of Directors—composed of wealthy, well-connected board members who are committed to fundraising. But most of the board members are not well-connected to the client population, nor are they familiar with AIDS issues. As a result, Eucalyptus AIDS Services convened an Advisory Board composed of low-income clients, social workers and medical staff. The Advisory Board meets four times a year, with several staff and board members attending, to give input about program directions. For example, the last Advisory Board meeting focused on developing a policy around case management for dual-diagnosed clients.
- The Chestnut AIDS Agency doesn't have its own 501(c)(3) status, but works under the fiscal sponsorship of another organization. As a result of not having incorporated separately, the Chestnut AIDS Agency cannot legally have a Board of Directors. Their Advisory Board acts in many of the same roles that a Board of Directors does, but doesn't have the same legal responsibilities. If the Chestnut AIDS Agency decides to incorporate separately, the Advisory Board members will form their Board of Directors.
- Along with recreational, senior, and housing loan programs, one of the programs of the Manzanita Community Center is an AIDS program called "Living Positive." The Board of Directors of the Manzanita Center must be concerned with all the Center's programs, and the staff of Living Positive want a group

from the community that can focus more exclusively on Living Positive. As a result, they convened an Advisory Board that meets monthly to advise on the program—but not the finances or personnel—of the Living Positive program.

## SOME GUIDELINES FOR HAVING ADVISORY BOARDS

1. Develop a written description of the responsibilities, activities, and limits on authority of the Advisory Board. An Advisory Board needs its own informal job description which spells out how many meetings are held, length of terms, chairs, etc.
2. Establish a formal relationship between the Advisory Board and the governing board. For example, at the Manzanita Center above, a board member can be the liaison to the Living Positive's Advisory Board, attending meetings and communicating between the two groups.
3. Distinguish between the role of the governing Board of Directors and the Advisory Board. For example, a Board of Directors hires the Executive Director of the organization; an Advisory Board may draw up a suggested list of qualifications for the person or people hiring the CEO. A Board of Directors can direct staff to take certain actions; an Advisory Board can suggest actions to staff and can be angry if their suggestions aren't taken, but an Advisory Board can't force staff to act.
4. Don't establish an Advisory Board if you cannot commit the time to preparing for effective Advisory Board meetings and to making the experience meaningful and rewarding for members. Some AIDS service organizations have erred by creating Advisory Boards where members felt ignored or superfluous.
5. Consider asking a community leader to chair the Advisory Board and act as a spokesperson for the agency in the community.

**Fiscal  
sponsor/client  
relationships  
sometimes  
prove to be so  
beneficial  
they go on  
indefinitely.**



## CASE STUDY: MAGNOLIA HIV PROJECT

*"I'm the only board member left from the early days," says David, a board member of the Magnolia HIV Project, located in a semi-rural area of the country. "We were kind of latecomers, and got started in 1992. We really started as a network of people angry about the lack of AIDS services and awareness in our area. We were writing letters to the editor, finding volunteers to help people with AIDS live independently . . . even had a protest at one of the hospital board meetings!"*

Like many AIDS organizations, the Magnolia HIV Project quickly transformed from being a network of activists to being a human service agency. Their visibility in the community brought them a \$110,000 Ryan White contract, and they hired staff, rented an office, and, as David remarks, "got real." Although the group was able to accomplish a great deal of what they had advocated, the transition hasn't been entirely smooth sailing.

Some of the original board members became the first staff of the organization and found themselves forced to deal with government paperwork, cash flow problems, and computer breakdowns—not to mention dealing with continuing board members who seemed almost resentful that some of their former fellow volunteers were being paid. A year and a half after receiving funding, the tensions exploded.

"We found out that we couldn't document almost 20% of the home visits we were supposed to do as part of our funding, and the county wanted to take 20% of our funding back," says David. "I was furious—I felt that the staff had just been doing what they wanted to do and jeopardized everything we had worked so hard for." At the same time, staff was feeling burned out and morale was low.

The board didn't know what to do. "We had some staff people coming to us and saying the executive director had to be fired; they felt he was arrogant and spending his time jetting around to conferences. Of course, that was part of what he

was supposed to do—we wanted him to stay an activist and advocate for people with AIDS. We couldn't get financial reports. It seemed as if there was one problem after another as to why we couldn't get the documentation problem fixed. A couple of board members started to worry about their own liability and left the board. At one point we were down to only three board members."

Today the Magnolia HIV project has nine board members, and the organization is more stable. The government finally compromised on the documentation problem, and the executive director did end up leaving. The board changed; today most of the board members are social workers or work in health care. The activist tone is largely gone. "I miss the excitement of the old days," says David. "These days it seems like we're just another social service bureaucracy but in miniature . . . I don't exactly know what the board is supposed to do these days. Mostly we just hear staff reports and pass on the budget."

Comment: Despite the frustrations, and even though many of the players changed, the Magnolia HIV Project survived and continues to serve the community. The difficulties they encountered are not atypical for organizations making the very difficult transition from a volunteer-based activist organization to a staff-based human service agency. And, in part due to hiring mistakes and in part due to neglect of oversight functions by the board, the organization and the individuals involved suffered as problems arose.

Today this organization has a different set of challenges. The board, despite David's relief that the crisis has passed, must still ensure contract compliance and adequate oversight in the day-to-day business of providing AIDS services. Having board members from the field should help them stay on track and focused on client needs.

At the same time, the organization, now almost completely dependent on government funding, also has little internal ability to raise funds from individual donations or from foundations. In the face of funding cuts, the Magnolia HIV Project will need the activist spirit and leadership of its early days, along with strengthened fundraising skills and contacts. The board must move quickly to develop a fundraising strategy and consider changing its own make-up in order to implement that strategy successfully.



## HOW ARE BOARDS ORGANIZED?

Despite the common responsibilities of boards, there are also broad choices of structure that each board must decide for itself. It must decide what kinds of people are needed, what mix of people is needed, what officers and committees to have, how often to meet, and how to divide responsibilities and tasks.

### THE BOARD'S COMPOSITION AND PROFILE

Like baseball, nonprofit boards are a team sport. Just as a baseball team will evaluate its strengths and weaknesses, and then go out and recruit a good catcher or an outfielder or both, boards of directors must first assess their composition to determine which new players they should bring onto the team.

There are some characteristics that *every* board member should possess, and other characteristics that at least one or two members should possess if the organization is to have a well-rounded team. For example, *every* baseball player must be able to run the bases, and every baseball player must get to practice on time, while only *one or two* baseball players must be able to pitch. The point is to select team characteristics best suited to the job, rather than attempting to reach some generic ideal. For boards of directors, you should require that every board member have the following:

- A commitment to the work of your organization and to the people served, with the understanding that this is a commitment of energy to the mundane as well as to the glorious;
- A willingness to represent the organization

to the public and to speak in support of your organization, no matter what the situation;

- An ability and a commitment to participate in meetings, events, and the work of the organization; and
- Good judgment, and feet solidly on the ground.

What are some of the characteristics to seek in at least some of the board members, to obtain a well-rounded set of skills for your team?

- a) **Constituency:** You may choose to ensure that specific constituencies and their viewpoints are represented on the governing body of the organization. For example, an organization serving two cities may decide it's important to have some people from each city on the board. Another organization begun in a Methodist church may find it important to be sure that there are some board members from both the neighborhood Catholic Church and local Mosque as well.
- b) **Skills:** What kind of help and advice does the organization need? Each organization will need a different set of skills, such as legal skills, public relations skills, finance skills, medical knowledge, etc.
- c) **Gender and sexual orientation:** Boards may or may not choose to diversify in terms of gender and sexual orientation. Some organizations have found strength in a board composed, for example, completely of gay, African American men. Others seek diversity either for a range of perspectives or to make it easier to find certain skills or contacts.
- d) **HIV status:** One organization whose board was composed completely of people with an HIV-positive status made a decision to add



three members who were HIV-negative. Another board where all members kept their HIV status confidential decided it was important to have at least two people who could speak openly as HIV-positive board members. HIV status is hard to discuss in some organizations, and many individuals consider HIV status a private matter. One organization with a policy that 50% or more of board members should be HIV-positive polls all members anonymously each year.

- e) Race/ethnic background: Many organizations have chosen to have boards that reflect the racial/ethnic backgrounds of their client populations. As a result, an organization serving a Latino neighborhood may have a board with all Latino members. An organization serving a racially mixed population may choose to have at least one or two board members from each of the populations served. (Some government agencies may require that your board try to reflect the racial/ethnic population that you serve.)

On the right is an example of a Board Composition Matrix that allows a board first to identify the desired mix of constituencies, skills, and demographics. The names of current board members are filled in on the left, and after checking off the boxes, the board can see what gaps exist. As prospective new board members are nominated, their names can also be filled in to see what the overall impact on the board would be if they were added.

Following the filled-in Matrix is a blank version of the Board Composition Matrix to copy and use.



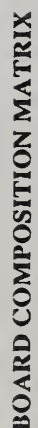


# BOARD COMPOSITION MATRIX

Date: \_\_\_\_\_

Qualities We Seek On The Board →	Constituency/Affiliation						Skills/Experience						Demographics								Fundraising			
	Corporations	Government	Small business	Medical	Churches		Finance/Accounting	Medical	Human Resources	Legal	Nonprofit Mgt	Marketing/PR	Male	Female	African American	Asian/Pacific Islander	European/White	Hispanic/Latino	Native American	Other	Special events	Major gifts contacts	Foundation contacts	Planned giving exp.
Name of Current Board Member or Potential Board Member →																								
Kathleen	X				X									X								X		
Carlos		X								X								X						
Renee				X									X											
Sylvia			X				X				X						X				X			
Ben	X								X				X				X							

HIV status is hard to discuss in some organizations, and many individuals consider HIV status a private matter.

[illegible]

## THE DIVERSITY ISSUE

The issue of diversity is a crucial one for today's nonprofit organizations, and bears further discussion. Consider, for example, the following situations:

- A family service agency in a mid-sized suburban community adds an AIDS program to their extensive list of services provided. Up to now, this agency's clients have been 80% white and 20% Native American; statistics haven't been kept for the percent that has been gay/lesbian or heterosexual. But more than half of the clients in the new AIDS program are either Native American or gay (or both). In what ways should this family service agency diversify their board, and how can they go about it?
- A volunteer-based organization providing practical and emotional support to people with AIDS began in the gay community, and its board is composed entirely of gay, white men. Some board members have been advocating for diversifying the board by recruiting board members from communities of color. Other board members say, "There are other groups serving those communities. Our strength is that our volunteers and our clients are the same: gay white men." Should this organization seek to diversify its client base? Its board?
- An Asian/Pacific Islander AIDS organization provides services primarily to Asian and Pacific Islanders (including Chinese, Filipinos, Japanese, Vietnamese, Cambodians, Laotians, and others). But everyone on the board is either Chinese, Filipino or Japanese. While there is general agreement that the staff and the board should have as broad representation as possible, how much of a priority should diversity be for this board?
- An African American AIDS organization finds itself serving more and more people who are not African American. Some of the initial non-African American clients came because their partners were African American, but now the agency's reputation for quali-

ty care is attracting people from a wide range of racial/ethnic backgrounds. In fact, a Spanish-speaking counselor was recently hired to strengthen the work with Latino clients. Some board members want to bring on Latino and white board members, not only to reflect the diversity of the client population, but to obtain contacts in new arenas. Other board members find strength in the organization's African American focus, and worry that the organization's volunteer base and focus will be diminished if that focus goes away.

- An organization that is racially mixed in an inner city neighborhood is proud that all of its board members are also neighborhood residents and themselves low income like the organization's clients. But as the organization has grown, some board members want to recruit board members from outside the neighborhood, who may be able to bring money, skills, and contacts that may be more difficult to find among neighborhood residents.

The call for diversity in nonprofit organizations grew out of a legitimate concern that many nonprofits serving minority communities had few if any staff or board members from those same communities. How, asked community members from communities of color, can you know the needs and perspectives of our communities when you don't have any of us working as providers, managers, or serving as board members?

In today's AIDS field, diversity has several different dimensions, including:

- Diversity within a given organization: staff, board, volunteers;
- Diversity based on various characteristics, including race, ethnicity, age, HIV status, gender, sexual orientation, disability, etc.; and
- Diversity within the nonprofit sector: ethnic-specific organizations contributing to a diversified sector.

**The call for diversity in nonprofit organizations grew out of a legitimate concern that many nonprofits serving minority communities had few if any staff or board members from those same communities.**



There is no "right" answer on diversity that is appropriate for all organizations. The discussion about diversity is itself an important process through which a board can consider in what ways diversity may be important in achieving its mission.

We propose the following principles as a starting point for boards working in HIV/AIDS:

- An organization's board should strive to include individuals who bring perspectives, knowledge, and sensibility related to the client population of the organization. For example, an organization or program that serves a predominantly Chinese population needs Chinese board members to help ensure that the organization does a good job of serving that community.
- Even beyond an organization's client population, today's diverse society needs organizations that are diverse in race/ethnicity, gender, and other characteristics.
- Organizations that are primarily or significantly involved with HIV issues should have individuals on the board with AIDS and who are HIV positive, as one way to be sure that the urgency of the work and the perspectives of people with HIV are integrated with the organization's leadership and decision-making. (Having a person with HIV on the board does not necessarily ensure a client perspective).
- Ethnic-specific organizations and sexual-orientation-specific organizations should clarify and articulate their policies as part of their missions or their strategies for working with their communities.

Discussions about diversity are difficult to hold. The topics of race and HIV status in particular evoke deeply felt, complex emotions, and participants in the discussion frequently have quite different points of view. These discussions, though they may be difficult, are an important part of the way a board develops its values and vision.

## TEN IDEAS FOR RECRUITING NEW BOARD MEMBERS

1. Call prominent community members "cold." Call a member of the School Board, the Chair of the Black Democratic Club, or the head of the local American Medical Association and ask them who they might suggest for your board. Then call the suggestions using the prominent person's name.
2. See if your community has a board recruitment program, perhaps run by the United Way, the Volunteer Center, or a technical assistance organization.
3. Tell government program officers and foundation grant-makers that you are trying to expand and strengthen your board, and you would greatly appreciate help from them. Ask each person for just one terrific suggestion.
4. Consider some of the hands-on volunteers in your organization who volunteer as support group facilitators, practical support volunteers, and meal preparers. Hands-on, operational volunteers bring both demonstrated commitment and an intimate knowledge of the organization's strengths and weaknesses. The program directors or the volunteer coordinator may know just the right person.
5. Form a "One-Meeting Nominating Committee." Draw up a list of twenty well-connected people who might know someone who would be a good board member. Call those twenty people and ask them to come to a one-meeting committee over lunch. Tell them that at the meeting they'll be told more about the organization and what it's looking for in board members. Towards the end of lunch they'll be asked simply for the name of one person they think would be a good board member. The day after the lunch call up each of the nominees and begin by explaining who nominated them.
6. Take out a "Help Wanted—Volunteer Board Member" ad in the neighborhood newspaper or place a notice on an on-line service such as LatinoNet or AIDSNet.
7. Call a community association such as the Latino Chamber of Commerce, the Rotary Club, the Gay/Lesbian





Republican Club or the Council of Churches. Ask if you can make a presentation at an upcoming meeting about community needs and your organization's services. As part of your presentation talk about how your organization is seeking dedicated board members with clout and wide community contacts.

8. Contact a friend or colleague who is affiliated with the local university. Ask them to help you identify two or three professors of public health, or of management, or an administrative dean who might be capable and interested in serving as board members.
9. Call three companies and ask to speak to the head of Human Resources or the Personnel Department. Get an appointment and explain what kind of board members you are seeking.
10. Ask your supervisor at work for suggestions. If nothing else, he or she should be impressed with your community involvement.

#### **QUESTIONS TO ASK POTENTIAL BOARD CANDIDATES**

Board Development Committees often meet with potential board candidates over lunch to discuss information and to allow both sides to become more acquainted with each other. The following questions are one way to start a discussion in which each party can assess whether the individual is an appropriate candidate.

- **What interests you about our organization?**  
**What aspect of our organization interests you most?**
- **What are some of your previous volunteer experiences and/or leadership roles?**

- **What appeals to you about board service as a volunteer activity?**  
**What are you hoping to get out of your board experience?**
- **What skills, training, resources, and expertise do you feel you have to offer?**
- **What would you need from this organization to make this experience a successful one for you?**

#### **QUESTIONS A BOARD SHOULD BE PREPARED TO ANSWER**

- **Why are you interested in me as a board member?**
- **What role do you see me playing on your board?**  
**What are your expectations and commitments?**
- **What do you feel is unique about your board?**  
**about your organization?**
- **What does this board value in the way it works together?**
- **Are there particular discussions this board has difficulty handling?**  
**What weaknesses are there in the way the board works together and with staff?**
- **What are the major issues this board is facing?**  
**How are you addressing them now?**  
**If I were to join the board, how could I help?**

**The topics of race and HIV status in particular evoke deeply felt, complex emotions, and participants in the discussion frequently have quite different points of view.**



## QUESTIONS TO ASK YOURSELF BEFORE YOU JOIN A BOARD

Having gathered new information from the exchange of questions listed above, a board candidate should consider the following questions:

- **Is this the right cause and organization for me to help?**

Compare the way people typically join a board with the way they contribute money. If you were thinking about making a major donation, you would probably begin by thinking of areas where you have strong feelings—perhaps care for the elderly, or civil rights, or the environment. After settling on a subject area, you might then learn about several different organizations working in that field, and investigate ones that seem to have high impact and are well managed. Only after you were fully satisfied would you make the donation.

In contrast, people often join a board because someone has asked, and because it sounds kind of interesting. The next time you consider joining a board, first ask yourself whether in fact you feel strongly about the type of work that the organization does and the people it serves. Since, as a board member you'll be investing not only money but time and energy, ask yourself whether the organization seems to be a pretty good risk as an investment.

- **Can I work with this agency at this particular stage in its life and with this particular board, and the way its members work together?**

At one time in an organization's life, board service may be fairly smooth with a few bumps, while at another time board service may involve a hair-raising roller coaster ride. What type of board seems right for you right now? You may want a board that really lets you roll up your sleeves and get to work with the other board members, or you may want a board that is stable and can let you learn about board work in a deliberate way.

- **What can I and will I contribute to this organization? What skills, contacts, and perspectives do I have that will be useful to this organization?**

Often board members have wonderful talents and contacts that never come to light on the board. Perhaps you gave up a music career for accounting, or have writing skills that are not used at your job. Perhaps your customer network includes dozens of influential community leaders. Consider first what you bring to the table, but secondly, consider whether you are willing to bring what you have to the organization.

Do I believe in this organization enough to introduce my customers to it? Can I make a commitment to attending at least 75% of the meetings? Am I willing to give up one or more evenings a month? Am I willing to make a generous donation? Can I volunteer with other board members on occasional Saturdays? Would I feel comfortable having my name on their letterhead or on their brochure? The right time to ask these questions is before, not after, you have joined the board.

This final question is one that potential candidates should ask themselves and one that active board members should periodically re-examine during their board service:

- **What do I want to get out of being on the board?**

An all-too-common experience for board members at the ends of their terms is a feeling that they didn't, after all, really get deeply involved and don't, as a result, feel that they either contributed as much or got as much as they had hoped when they first joined. Board members who plan and ask for what they want in the board will contribute more as well as gain more. For example, if you don't have a finance background but wish you knew more about finance, consider asking to be appointed to the Finance Committee. If there's a fascinating person on the Program Committee who you would love to get to know, ask to be on the Program Committee, and put in the time to be sure you get to know all the members well. If one of your reasons for joining the board was to meet new people, volunteer to help put on the annual luncheon or staff the table at a street fair.





## BOARD SIZE, OFFICERS & COMMITTEES

The legal requirements for the size and officers of boards vary from state to state, but are generally minimal. While there are few legal requirements, there are some accepted principles that help guide organizations.

### SHOULD BOARDS BE BIG OR SMALL?

Most community-based AIDS agencies have boards of directors with five to twenty members because this range provides a manageable number of people for meetings. If there are too few people on the board, there simply may not be enough hands to do the work. If there are too many people, individuals may feel less effective, a quorum may be difficult to achieve, and more staff time is required to ensure that all board members are able to contribute to the organization.

There isn't an absolute guide for the right size. Are there enough meaningful jobs for additional people? Can the staff and board leadership invest the needed time in coordinating the work of more individuals? Don't forget to consider whether there's a room available for meetings that's big enough for a bigger board.

Some organizations have fairly small boards of directors and larger advisory committees. Members of the board of directors must not only be committed to the organization, but must be willing to attend to the detailed and often mundane work of the organization. Advisory committees and councils can draw on larger numbers of people with expertise and perspectives important to the agency's programmatic work, but who may not want to be involved with the governance of the organization.

### HOW MANY OFFICERS SHOULD A BOARD HAVE?

Boards of community AIDS organizations usually have four officers: president, vice president, secretary, and treasurer. Some organizations choose to have two co-chairs and a treasurer. Others have a chair and a vice chair, and choose to have committee chairs as officers. The appropriate number of officers and committee chairs, like the total number of board members, depends on the needs and intentions of the organization.

### HOW OFTEN SHOULD A BOARD MEET?

Most organizations meet monthly. However, some organizations find it more valuable to meet every other month or once a quarter. Boards need to find the appropriate balance between keeping in touch with the organization and its issues and not overburdening board members and staff with too many meetings.

### DO ALL BOARDS NEED COMMITTEES?

Most boards work through committees because smaller groups can work more efficiently and less formally. Most boards also try to limit the number of committees so that individual workloads can be kept manageable. If each person is on two or three committees, his or her time is spread too thin for the committees to be effective.

Some boards choose not to have committees at all. In some cases work can be more efficiently performed by individual board members working directly with staff. For example, the treasurer may work directly with the staff to review financial affairs. When a task is proposed at a meeting, an individual board member takes on the responsibility, involving one or two other board members on an ad hoc basis if needed.

**Members of the board of directors must not only be committed to the organization, but must be willing to attend to the detailed and often mundane work of the organization.**

The advantage of responsibilities assigned to individuals rather than to committees is that fewer meetings need to be held, and work can often be done more efficiently. In the absence of committees, the board president must make extra efforts to ensure that individuals are held accountable to the board for their responsibilities.

### **WHAT IS A BOARD COMMITTEE SUPPOSED TO DO?**

The role of a board committee is to prepare recommendations for the board. For example, a detailed discussion of the cash flow situation may take place on the finance committee, which then brings a recommendation to the board that a line of credit be established. Although the full board is responsible for the decision, they rely on the diligence and thoughtfulness of the finance committee. In another example, the fundraising committee will develop a fundraising strategy which is brought to the board for approval. Anyone on the board can still make objections and the board can still reject the plan or ask the committee to revise it. But over time, committees gain the confidence of the board by work well done.

### **CAN PEOPLE OTHER THAN BOARD MEMBERS SERVE ON COMMITTEES?**

In some organizations board committees are comprised only of board members. In other organizations some committees have both board members and non-board members. For example, one AIDS organization based in the Latino community has a fundraising committee comprised about equally of board members (who are all Latino) and non-board members (some of whom are Latino and some of whom are not). Having non-board members on committees can bring in specialized expertise or contacts from people who may not have the time to be on the board, or who may be inappropriate for full board membership.

### **WHAT ARE THE MOST COMMON COMMITTEES ESTABLISHED BY BOARDS?**

The most common permanent, or "standing" committees are: the fundraising committee, the finance committee, the program committee, and the board development committee.

**Fundraising Committee:** The job of the fundraising committee is not simply to raise money. Instead, the fundraising committee is responsible for overseeing the organization's overall fundraising, and in particular the fundraising done by the board. To accomplish this the fundraising committee's responsibilities are:

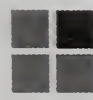
- To work with staff to establish a fundraising *plan* that incorporates a series of appropriate vehicles such as special events, direct mail, product sales, etc.;
- To work with fundraising staff in efforts to raise money;
- To take the lead in certain types of efforts, such as chairing a dinner/dance committee, hosting fundraising parties, etc.;
- To be responsible for board involvement in fundraising, such as having board members make telephone calls to ask for support; and
- To monitor fundraising efforts to be sure that ethical practices are in place, that donors are acknowledged appropriately, and that fundraising efforts are cost-effective.

**Finance Committee:** The finance committee (often called the Budget & Finance Committee) tasks are:

- To review budgets initially prepared by staff;







- To recommend financial guidelines to the board (such as to establish a reserve fund, or to obtain a line of credit for a certain amount);
- To work with staff to design financial reports and ensure that reports are timely;
- To oversee short and long-term investments, unless there is a separate investments committee;
- To recommend selection of the auditor and work with the auditor, unless there is a separate audit committee; and
- To advise the executive director and other appropriate staff on financial priorities and on systems if committee members have expertise that staff can utilize.

**Program Committee:** The program committee oversees new program development, and monitors and assesses existing programs. Members of the program committee are often the board members who are the most familiar with the approaches and operations of the organization's programs. Program committees often initiate and guide program evaluations, and facilitate discussions on the board about program priorities for the agency.

**Board Development Committee:** In some ways the most influential of all the committees, this committee (sometimes called the Nominating Committee) prepares priorities for board composition, meets with prospective board members, and recommends prospective candidates to the board. In some organizations the board development committee also recommends a slate of officers to the board. Other activities sometimes undertaken by board development committees include conducting orientations for new board members, organizing training sessions for the whole board, and suggesting new, non-board individuals for committee membership.

## OTHER BOARD COMMITTEES MAY INCLUDE:

**Executive Committee:** Sometimes an organization with a large board forms an executive committee, which is a smaller group that can meet more frequently than the full board. Some executive committees are comprised of the board officers; others include committee chairs, and some choose other configurations, such as the board officers and the fundraising committee chair. A risk with executive committees is that they may take over decision-making for the board, and other board members will feel they are only there to rubber stamp decisions of the executive committee.

**Audit Committee:** The role of the audit committee encompasses: interviewing auditors, reviewing bids, recommending selection of an auditor to the board, receiving the auditor's report, meeting with the auditor, and responding to any recommendations made by the auditor. For many organizations, the annual audit is the only time when the organization's financial systems are reviewed by an independent outsider. As a result the auditor's report is an important way in which the board obtains independent information about the organization's activities. On smaller boards, the functions of the audit committee are carried out by the finance committee.

**Personnel Committee:** Functions of the personnel committee include: drafting and/or revising personnel policies for board approval, establishing a salary structure, reviewing job descriptions, annual review of actual salaries, review of the benefits package. In some organizations the board's personnel committee also acts as a grievance board for employee grievances. Because difficulties can arise if many less serious complaints are brought directly to the board rather than to the staff person's supervisor, it is preferable for the personnel committee to act only on formal written grievances against the executive director or when an employee formally appeals a decision by the executive director to the board.

**The advantage of responsibilities assigned to individuals rather than to committees is that fewer meetings need to be held, and work can often be done more efficiently.**





**Public Policy Committee:** Organizations with public policy or education as part of their mission may create a public policy committee that stays informed on relevant matters and may bring to the board proposals for a board stand or for an organizational activity. For example, a public policy committee might draft a written position paper related to proposed cuts in AIDS funding, or propose that the board join a coalition of neighborhood nonprofits protesting the closure of a park.

### **TEMPORARY COMMITTEES**

Some committees are convened on a temporary basis, to meet for a few months and then disband. These might include:

**Merger Committee:** To pursue a possible merger with another organization, and to bring recommendations and information back to the full board.

**Site Committee:** To work with staff to evaluate the existing location and consider a move to a different location, to review a new lease, or to weigh the feasibility of purchasing a building.

**Special Event Committee:** To do the board's work on a particular event, such as an Annual Dinner or the Lesbian and Gay Pride Parade.

**Planning Committee:** During a strategic planning process, a Planning Committee may be convened to lead the process. The committee may consist of both board and staff members.

**Search Committee:** To seek a new executive director, including recommending guidelines and a search process to the board. Some Search Committees also constitute the group that hires the new executive director, while other Search Committees develop a group of candidates which will be evaluated by a different committee or by the whole board.

**Special Issue Committee:** To investigate an unusual problem or opportunity. For example, an organization may find itself the subject of an unfavorable article in the newspaper, or a board may learn that there is deep staff resentment against the executive director. In another situation a board may learn of an opportunity to obtain an unusual grant or to participate in a joint project with another organization. Setting up a Special Issue Committee to learn more about the situation and report back to the board is often a way to ensure that decisions are based on adequate information.



The Personnel Committee of the Cypress AIDS Project consists of two board members and one person who is not a board member but who has experience in human resource management at another nonprofit organization. Because the Project's personnel systems have not kept up with the needs of the

growing organization, there are several tasks for the personnel committee to complete this year which may not need to be revisited for several years. The committee expects to meet monthly this year while they develop systems, but expects meeting four to six times annually in subsequent years.

Based on these responsibilities, the personnel committee developed the following Year-Long Agenda for itself.

<p>1. Review Personnel Policies and revise as needed</p> <p>a) Collect personnel policies from other AIDS agencies</p> <p>b) Find lawyer with background in human resources to volunteer to review drafts and to suggest guidelines on sexual harassment policies</p> <p>c) Ask staff to suggest areas that need clarification</p> <p>d) Draft revision of Personnel Policies to committee</p> <p>e) Bring revised Personnel Policies to whole board for approval</p>	<p>by November meeting</p> <p>by December meeting</p> <p>February</p> <p>Finalize at April meeting for Board discussion in May</p>
<p>2. Review benefits</p> <p>a) Staff to prepare list of benefits, costs, and report on how many staff use optional, self-pay benefits</p> <p>b) Based on discussion, request additional information from staff on costing options</p> <p>c) Finalize benefits package with costs and propose as part of the budget</p>	<p>March meeting</p> <p>Finalize at April meeting for Board discussion in May</p>
<p>3. Annual review of salary structure</p>	<p>Discuss at March meeting</p>
<p>4. Review of personnel list with salaries in advance of board's May budget discussion</p>	<p>May meeting</p>
<p>5. Review of individuals classified and paid as contractors to determine whether some should be reclassified as employees</p>	<p>August meeting</p>

In another situation a board may learn of an opportunity to obtain an unusual grant or to participate in a joint project with another organization.



## **SAMPLE JOB DESCRIPTIONS FOR BOARD OFFICERS**

### **Board President/Chair**

In general, ensures the effective action of the board in governing and supporting the organization, including board meetings and board affairs. The Board President acts as the representative of the board as a whole, rather than as an individual superior to staff.

In the community: Speaks to the media and the community on behalf of the organization (as does the executive director); represents the agency in the community.

Agendas: Develops agendas for meetings in concert with the executive director.

Chairing meetings: Chairs board meetings.

Committees: Recommends to the board that committees be established. Seeks volunteers for board committees and coordinates assignments. Assigns board members to committees. Stays in touch with committees to be sure that their work is carried out; identifies committee recommendations that should come to the full board.

Executive Committee: Determines whether executive committee meetings are necessary and convenes the Committee.

Hiring executive director: Establishes search and selection committee; usually acts as chair.

Evaluating executive director/salary negotiation: Convenes board discussion and conveys information to the executive director.

Board affairs: Ensures that board matters are handled properly, including preparation of pre-meeting materials, committee functioning, recruitment and orientation of new board members.

### **Vice President/Vice Chair**

In general, acts as the President/Chair in his or her absence;

assists the President/Chair on the above or other items.

Special responsibilities: Frequently assigned to a special area of responsibility, such as membership or program.

### **Treasurer**

In general, manages the board's review of, and action related to, the board's financial responsibilities. May work "hands-on" with the agency bookkeeper or other finance staff in developing and implementing financial procedures and systems.

Financial reports: Ensures that appropriate financial reports are made available to the board.

Finance Committee: Chairs the Finance Committee and prepares agendas for Finance Committee meetings, including a year-long calendar of issues. In larger organizations there may be a separate Audit Committee which may be chaired by a different person.

Reports to board: Makes report to the board on financial concerns.

Auditor: Selects and meets annually with the auditor in conjunction with the Finance or Audit committee.

Cash management and investments: Ensures, through the Finance Committee, sound management and maximization of cash and investments.

### **Secretary**

Minutes: Takes minutes of board meetings if operating in smaller organizations. In larger organizations the minutes may be taken by staff and then reviewed and corrected by the Secretary.

Correspondence: Writes letters or signs letters prepared by staff such as responding to a foundation request for verification of a board vote.

Signature: Serves, in some organizations, as authorizing signature on bank accounts and legal documents such as leases or contracts.



## COMMITTEE REPORT FORMAT

Although most committee reports are made verbally at board meetings, some boards ask committee chairs to write an "Annual Report" at the end of each year describing their activities and decisions. These

reports can be included with the board minutes in the organization's formal, permanent records.

Here is a simple format that committees can use for their end-of-year report or which they can adapt for a monthly report:

Committee: \_\_\_\_\_

Period of time this report covers: \_\_\_\_\_

Committee chair: \_\_\_\_\_

Committee members: \_\_\_\_\_

The main objectives for the Committee: \_\_\_\_\_

Summary of recent accomplishments and current activities:

List of activities in progress and upcoming events/discussions:

### Recommendations for action at this time

1. Recommendation to: (circle all that apply) Board E.D. Other \_\_\_\_\_  
Recommendation:

*Comment* (background, time frame, consequences of alternative action, etc.):

2. Recommendation to: (circle all that apply) Board E.D. Other \_\_\_\_\_  
Recommendation:

*Comment* (background, time frame, consequences of alternative action, etc.):



## CASE STUDY: PINE STREET AIDS SERVICES

A few months ago, Pine Street AIDS Services, where Steve is on the board, started a strategic planning process. "I had been on the board about a year when it started," he recalled. "I wouldn't say we were having problems . . . things were going along fine . . . I guess the impetus came from the executive director—he felt that the board needed to be setting the direction more for the future. And, of course, with the funding cuts we're expecting we might have some serious problems."

Steve's organization, a metropolitan AIDS organization serving mostly the Latino community, has a budget of nearly \$1 million. Board members are proud of the organization's reputation for quality services and how the organization has grown. At the same time, some board members are not sure what they're supposed to be doing. Attendance at monthly board meetings seems to be down, and Steve isn't sure who can take over if the current board president leaves.

The strategic planning process began with the board reaffirming the agency's mission statement, while expanding the scope of the agency's reach to other ethnic groups and to a wider geographic area. Because government funding represents about 90% of the agency's funding, discussions often seem to stall due to uncertainty about how government funding levels might change. "The board knows we have to start diversifying our funding," comments Steve, "but candidly, I just don't know how we could ever hope to raise \$900,000."

Comment: There aren't any major problems evident at Pine Street AIDS Services, but in talking with Steve a sense of

engagement seems to be missing. Like many boards where highly competent staff lead the organization, Steve and other board members want to help, but at the same time don't really feel necessary.

The challenge for the staff and the board will be to engage board members in meaningful, successful work supporting the organization: in fundraising, in policy advocacy, in setting priorities and engaging in strategic planning, and in collaborative ventures across communities. An engaged board will be critical to the long-term health of the organization. If severe funding cuts are a real and near possibility, the board should do some contingency thinking about "the unthinkable"—perhaps merging or having to close down. Through the planning process the board may also discover important work they can do now, such as advocating for AIDS treatment and prevention services.





## THE BOARD/STAFF PARTNERSHIP

Imagine a ballroom dancing competition. The best couple is the one where each of the dancers is wonderfully skilled and graceful, and together they create a work of art through their dance. The opposite case is the couple where neither of the dancing partners is very skilled. And perhaps the most painful to watch is the couple where one partner is a strong dancer and the other is weak.

The board/staff partnership can be compared to these dancing couples. The best partnerships are ones that combine a strong board with strong staff. With that combination, organizations can have major, lasting impact on their communities. And when problems arise in the partnership, strong partners can find ways to work them out.

On the other hand, if one side is weak, the other side *cannot* fully compensate. An executive director, no matter how talented, can never make the case in the community the way that board members can. Nor can a strong, committed board create a positive office climate or maintain control of the expense budget. Just as importantly, emphasizing greater *clarity on roles* will not solve the problem by itself.

In several places throughout this handbook there are guidelines to the board/staff partnership in specific areas such as in fundraising and financial accountability. There are three underlying principles for the board/staff relationship:

- The board's twin responsibilities are to *govern* the organization and to act as *supporters* of the organization.
- The staff's responsibilities are to *deliver the programs* of the agency, and to *manage* the business of the agency.

- Strengthening each of the *partners* is as important as clarifying the *partnership agreement*.

These principles represent only a starting point for a complex relationship that will develop out of the skills and personalities of the people involved. In a similar way, there are principles and theories of dancing, but each dancing team interprets those principles in its own way. Consider for a moment how complex a relationship can be between just two people . . . then consider how complex a relationship is likely to be between two groups totaling 30 people.

The following examples illustrate how these principles can be applied in a variety of situations.

*From the staff:* Our board isn't pulling their weight. They wouldn't disagree that they're supposed to be raising money, but they never get around to it. We set a board fundraising goal of \$10,000 for this year and in seven months they've only raised \$2,100. On the other hand, we submitted five foundation proposals recently and only one was funded, and the board questioned *our* competence!

*Comment:* There really are two separate issues here: the board's failure to raise the projected funds, and the board's criticism of the staff. On the first issue: consider whether the board has the *potential* to raise the funds; if not perhaps this staff needs to work with the board leadership to recruit new board members. If the potential is there, investigate the reasons why action wasn't taken. Board members may have had negative fundraising experiences in the past and those experiences act as obstacles to their genuinely engaging in fundraising now. Other board members may not really know how to get started on raising money. One or two staff members need to make a priority of working with the board in fundraising; even though the board hasn't met its commitments, the staff cannot evade responsibility for both working to strengthen the board as well as to remind the board of their responsibilities.





On the second matter: there are few dynamics more aggravating to staff than having a weak board question staff competence. But whether or not the board is "doing its share," the board still has the responsibility and authority to question staff performance. The staff needs to swallow its pride and respond to the board's questions. By doing so, a stronger relationship can be built where perhaps the board is more aware of the difficulties encountered in foundation proposal writing. By demonstrating a lack of defensiveness when questioned, staff can also help create a climate in which failure on anyone's part to meet fundraising goals can be openly discussed.

*From a board member:* We want to raise money, but we don't get the staff support we need. For example, I agreed to write a grant proposal, but asked the staff to research what foundations were the best prospects, and to get some sample grant proposals from other organizations. They never got back to me.

*Comment:* This board member has a legitimate complaint that staff has agreed to perform some tasks and has not completed those tasks. At the same time, the board member isn't "off the hook." The board member and the staff should sit down and together think through what is the best way to get the proposal written. During that discussion, the staff member might express a feeling that other organizations are reluctant to share their grant proposals, and the two might agree that the board member will look into obtaining other examples of proposals. At the same time, the staff member should realize that volunteer board members often need technical support and help with the "legwork" in order to be effective.

*From an executive director:* The board just doesn't know what they're supposed to do. I even brought in a consultant to explain to them that their responsibility is to raise money, but it didn't work.

*Comment:* As this director has found out, bringing in an outsider to lecture a board on what they "should" be doing seldom has a real impact (except perhaps making board members feel guilty). Bringing about a change in how board members perceive their responsibilities cannot be done by "quick fix," and will require an investment of time and energy from the executive director. (In some corporations, CEOs report spending nearly 30% of their time working with their boards of directors.) A better approach may be for this executive director to work closely with strong board members in board leadership positions to plan a year-long program for board development. This includes a learning progression (perhaps by using some sections photocopied from this manual) along with working sessions where the board "re-invents" its responsibilities for the organization.

*From a board member:* I think some of us would be more willing to work on fundraising if there were even just one person to show us the way. Fundraising is always at the end of the agenda and the meetings always run so long that half the people are gone by the time we get to it.

*Comment:* This board member's insightful comment into the need for leadership points to the need to strengthen the board. This board member should talk privately with others on the board and with the executive director about finding that leadership: by giving more responsibility to existing board members, by bringing on new board members, or by organizing a small group that can exercise more leadership in meetings and elsewhere.

*From an executive director:* A board member has recently begun to call up our staff directly to request information. One thing that bothers me is that if this continues it can take up too much staff time. But I also wonder whether it's appropriate for the board members to be in direct contact with my staff. It undercuts my authority with my staff, and I worry



that some staff members might say something inappropriate to a board member.

*Comment:* Restricting contact between board and staff would probably result in suspicion on the part of the board and resentment from the staff. This director can, however, insist on two guidelines. First, the executive director should be informed of all contacts, although there are no restrictions on contact. Second, board members can request information and reports, but must stop short of directing staff work and allocating staff time by asking for separately prepared reports.

*From a board president:* Last year we came to a board meeting and the executive director announced proudly that we were about to sign a \$200,000 government contract to expand our AIDS Food Bank to another county. We didn't know how to respond, because we were actually very concerned that the services we were *already providing* weren't working well enough. When we told the executive director that he shouldn't have gone ahead and pursued this contract without our approval, he became extremely resentful. Although we went ahead and approved the contract, the situation has left a lot of us feeling tense and uncomfortable.

*Comment:* This board has acted properly in its governance role by monitoring quality of services and taking responsibility for future directions and priorities of the agency. There's a tendency for both boards and executives to gloss over potential conflicts or disagreements, but this board has overcome that tendency and reminded the executive director of their authority. At the same time, the board should have been involved at an earlier point in the discussions about the new contract. This experience can help both the board and the executive director learn what kinds of decisions and processes need to involve the board in the future.

*From a board member:* The executive director of our organization has some wonderful qualities, but she doesn't get along with her staff. The staff turnover has been much too high, and we know that she just doesn't do well at managing people. One of the board members has even been meeting with her every two weeks to "coach" her in supervisory skills, but nothing seems to be working. On top of everything, now the executive director is claiming that we're micro-managing. Well, we wouldn't be involved in the details if she were doing them right!

*Comment:* As this board has found out, board members can compensate only to a very limited degree for a weak executive director. Although individual coaching is often helpful and sometimes hiring an Administrative Director can help, it's also possible that it may be necessary to consider getting a new CEO. At one point in an organization's life it needs strong "people management" skills in its executive director, and strong fundraising skills at another. Perhaps at this stage in the organization's development, the current executive director's weaknesses have begun to outweigh her strengths.

*From an executive director:* Relations are very cordial between me and my board, but I wouldn't describe the relationship as a "*partnership*." I do everything and they either don't say anything or they find one minor thing to call me to task on. They don't really do anything *wrong*, though—they just don't do anything! Just between us, I don't see the point of having a board.

*Comment:* Obviously the partnership isn't "working." This director must first acknowledge the *potential* of the board to help the organization as well as the board's legal responsibility for it.

A seldom acknowledged role of executive directors is the role of *leading and managing* the board, and at the same time *reporting to* and

**...there are  
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*taking direction from the board.* Although boards hire and evaluate executive directors, executive directors must learn to *manage* the boards of their organizations. This job, and the set of skills that accompany it, is sometimes called *managing up*. Learning these skills takes attention and time as does learning supervisory skills.

At least in the short term, many executive directors can't help but feel at times that a board isn't necessary. A board that questions decisions of the executive is not in the immediate self interest of any executive director. But the board's governance role is in the immediate and long term interest of the organization and the community it serves.

This role is so important that noted management writer Peter Drucker has commented that getting the board to govern should be a responsibility of the executive director, and the board should take the executive director to task if the board isn't functioning well. Whether board members recognize it or not, an effective board *is* a responsibility of the executive director as part of overall responsibility for the organization's work.



## TABLE OF CONTENTS FOR A BOARD BOOK

A new board member needs a guide to the job and the organization, and long-time board members need an easy way to keep reference materials. One convenient way is to provide each new board member with a "Board Book" in a three-ring binder, and to distribute updated sections to all members each year.

Along with the Board Book, consider holding an orientation session for new board members if several have joined the board at the same time. Such a session can bring new members "up to speed" on current issues and can establish personal relationships between new members and veterans. A proposed table of contents for the Board Book:

1. ☐ A welcoming letter signed by the Board President and the Executive Director, including an offer to take the new board member on a tour of the facility, to introduce the new board member to staff, and to get together to further familiarize the new board member with the agency.
2. ☐ This handbook.
3. Corporate and historical documents
  - ☐ Description of programs and constituencies
  - ☐ Annual report
  - ☐ By-laws and amendments
  - ☐ Incorporation documents
  - ☐ Recent press articles
  - ☐ If available, a history of the organization
  - ☐ Brochures & other descriptive materials
  - ☐ Strategic or Annual Plan
  - ☐ A revised mission statement if one is in place
4. Rosters
  - ☐ Roster of board members, including occupations and other information
  - ☐ Committee list: which committees exist and membership on each

- ☐ Resume of the executive director
- ☐ Names, titles and telephone extensions of staff with whom board members are most likely to interact
- ☐ Organizational chart

5. ☐ Calendar of meetings for coming year
- ☐ List of Agency special events

### 6. Responsibilities

- ☐ Statement of Agreement or job description for board members
- ☐ Conflict of interest policy
- ☐ Conflict of Interest statement (two copies pre-signed by the board president, with one copy to be signed by the new board member and returned)

### 7. Financial information

- ☐ Current budget
- ☐ Current financial statements
- ☐ Audit report from previous year
- ☐ Copy of insurance policy certificate for Directors & Officers insurance, if purchased
- ☐ List of funders and individual contributors

### 8. Working tools

- ☐ Membership application form (for membership organizations)
- ☐ Contribution response envelope
- ☐ Some letterhead and envelopes (in a plastic sheet holder with holes punched on the left side, or in a pocket of the binder)
- ☐ Bumper sticker, pins, tee shirt or other materials

**At least in the short term, many executive directors can't help but feel at times that a board isn't necessary.**




## TEN TIPS FOR THE BOARD CHAIR: HOW TO HAVE PRODUCTIVE BOARD MEETINGS

1. Prepare an agenda. For each item, identify who will be in charge and whether there is action required.

Item	Person Responsible	Approx Discussion Time	Action Requested
1. Approval of meeting minutes (draft enclosed in board packet)	Board Secretary Caroline	5 minutes	• Approve minutes
2. Executive Director's Report	Executive Director Christine	10 minutes	• Accept report
3. Report from Program Committee on project to survey anonymous testing clients for satisfaction and suggestions for improvement	Program Committee Chair Emil	10 minutes	• Approve survey project
4. Review of last month's financial statements	Finance Committee Chair Steve and Controller Kimi	10 minutes	• Accept financial statements
5. Report from Finance Committee on advisability and feasibility of applying for line of credit	Finance Committee Chair Steve and Controller Kimi	15 minutes	• Recommend Finance Committee prepare and submit application to two banks
6. Report from the Parade Committee on theme and design for Lesbian & Gay Pride Parade float	Parade Committee Chair James	20 minutes	• Revise and approve theme for float • Ask for contacts for needed costumes
7. Summary	Board Chair Paul	5 minutes	• Summarize and adjourn



- 
2. Make a sign with common acronyms and post it at each meeting (such as CDC = Centers for Disease Control). New board members often find it embarrassing to ask what something means, and long-time board members find it even more embarrassing.
  3. Send out a board packet one week ahead of the meeting. The packet should have:
    - a) Meeting time and place;
    - b) Proposed agenda;
    - c) Any items that will be acted on during the meeting, such as the resume of a prospective new board member, or minutes from the previous meeting;
    - d) Executive director's report;
    - e) Financial statements;
    - f) If possible, written committee reports; and
    - g) Background material for action items.
  4. Have name tags or nameplates at every meeting. Every person, every meeting.
  5. Don't be rigid about how meetings are conducted, such as by strictly adhering to Robert's Rules of Order. Instead, make sure that discussion on each item allows everyone a turn who wants to speak, and that options are fully discussed before an item is closed. In a controversial matter it may be best to start a discussion at one meeting but not come to a conclusion until a later meeting. Sometimes it's best to have three options on the table and discussed at once, while at other times it's better to see whether agreement can be reached on a particular proposal before exploring other options.
  6. Even if there seems to be a consensus, ask for a vote on formal matters. Always ask for the "yes" votes, the "no" votes and the abstentions. For legal protection, make sure individual names and votes are recorded.
  7. Practice facilitative leadership: participate in but do not dominate discussions; make sure everyone has a chance to participate; practice active listening; and keep the meeting focused and on track.
  8. If someone has expressed a view that most other board members haven't agreed with, go up to that person after the meeting and comment that you appreciate board members speaking up and expressing their opinions. Find opportunities to encourage open disagreements as well as consensus building.
  9. Encourage the board to adopt meeting agenda/ground rules that all are willing to follow. Sample ground rules are: no side conversations; focus on issues, not personalities; share the conversation load; arrive on time; etc.
  10. Demonstrate by your words and actions that you take the board work seriously and that you appreciate the efforts and talents of both board and staff members.

**In a controversial matter it may be best to start a discussion at one meeting but not come to a conclusion until a later meeting.**



## FINANCIAL RESPONSIBILITIES OF BOARDS

There may be no board responsibility more important than responsibility for the financial integrity and accountability of a nonprofit organization. In its role as representative of the organization's publics—its clients, donors, volunteers and society at-large—the board must ensure that the organization uses its funds efficiently, as donors have designated, and in pursuit of the organization's goals. But at the same time, many board members are uncertain exactly *how* they can carry out this responsibility.

Financial matters span a broad range of topics, including personnel and internal controls as well as accounting and the budget. Not all board members need to be familiar with financial terms and concepts, but each organization needs to develop a clear and explicit agreement for how financial accountability will be ensured. The following is a starting point for a "contract" which the board and staff can make to ensure a partnership for accountability.

### Related to Tax & Legal Responsibilities,

#### The staff will:

- Immediately notify the board with complete information related to any delays in payroll tax payments or any legal matters;
- Immediately notify the board of any tax problems or penalties; and
- Immediately notify the board of any legal suits.

#### The board will:

- Work closely with staff to respond to notification of possible tax problems and develop plans for resolving tax and legal problems; and
- Formally approve any tax and legal settlements.

### Related to Accounting,

#### The staff will:

- a) Complete monthly or quarterly statements within three weeks of the end of the month:
  - Income & expense statement for each major program and for the organization as a whole (should include statements for the previous month and on a year-to-date basis);
  - Balance sheet for the organization as a whole;
  - For large organizations with substantial restricted funds and/or an endowment fund, a balance sheet for the restricted funds; and
  - Comparison of actual to budget on a year-to-date basis for the organization and, if appropriate, for each program.
- b) Mail statements to Finance Committee in advance of meeting.
- c) If the statements are not available, explain the delay and estimate a date by which the statements will be completed.
- d) In a timely manner, prepare end-of-year statements, Federal Form 990 and other federal and state forms.

#### The board will:

- Form a Finance Committee of members that understand financial information and standard accounting terms and practices;
- Carefully read financial information;
- Ask questions to be sure the statements are understood;
- Periodically review key accounting policies, such as depreciation, cash or accrual basis statements, etc.; and
- Be patient and understanding when statements are occasionally late or infrequent accounting problems occur.





## **In Cash Flow Projections,**

### **The staff will:**

- If appropriate for the organization, prepare monthly, quarterly or annual cash flow projection;
- If appropriate, prepare a comparison of actual to projected cash flows;
- If cash flow shortages are projected, develop a plan for bridging the shortages; and
- If cash flow surpluses are projected, develop a plan for maximizing investment.

### **The board will:**

- Pay attention to cash flow reports; and
- Determine whether preparation of cash flow reports provides important enough information to justify the staff time required.

## **In Financial Analysis,**

### **The staff will:**

- a) Prepare brief written narrative monthly or quarterly including the following:
  - Highlights of recent period;
  - Outstanding and/or anticipated problems;
  - Anticipated opportunities;
  - Analysis of financial health; and
  - Comments on recent financial performance.
- b) As part of the annual budget preparation or at another key juncture:
  - Investigate and analyze outside trends affecting the organization's finances;
  - Revisit key decisions related to assets and liabilities, such as mortgages, debt, investments; and
  - Prepare vertical and, if possible, horizontal analyses.

### **The board will:**

- Propose items for ad hoc investigation;
- Discuss analyses with staff; work with staff to improve financial performance; and
- In the absence of the expertise on staff, one or more individual board members may be able to do some of the analysis.

## **In relation to the Audit and Internal Controls,**

### **The staff will:**

- If audited, ensure that audited statements and management letter are completed within four months of the end of the fiscal year;
- Prepare a written response to comments and recommendations in the management letter; and
- Develop a written set of internal controls and follow procedures in spirit as well as to the letter.

### **The board will:**

- Determine whether or not an audit is appropriate;
- Take the lead in interviewing prospective auditors and review of bids;
- Select the auditor;
- Meet at least once per year with auditor when no staff is present;
- Receive audit letter directly from auditor; and
- Review written internal control procedures.

**There may be no board responsibility more important than responsibility for the financial integrity and accountability of a nonprofit organization.**





## **In relation to the Budget,**

### **The staff will:**

- Develop a proposed budget by program and for the organization as a whole;
- Be given the authority to make minor changes (such as shifting dollars among line items, or increases in variable costs that are matched by increases in earned revenue) in the budget without board approval ; and
- If significant budget variances occur, explain the variances and proposed action such as better attention to budget control or revised end-of-year projections.

### **The board will:**

- Develop parameters for staff to guide preparation of the draft budget, such as maximum allowable deficit for the year, reduction of Accounts Payable, etc.;
- Give careful attention to budget reports;
- Engage in long term planning for funding, such as identifying a target mix of contributed and earned monies; and
- Formally accept the budget, thereby authorizing the beginning of operations as planned.

## **In Salaries and Personnel,**

### **The staff will:**

- Prepare an annual schedule showing each staff person and that person's salary for the Finance Committee and/or Personnel Committee; and
- Prepare an annual schedule of individuals to whom 1099s were issued, and the amounts.

### **The board will:**

- Establish salary ranges for each category of employee;
- Approve guidelines for performance-based compensation, if appropriate;
- Negotiate and approve the executive director's salary;
- Ensure that other salaries are within approved salary ranges, or if not, to have approved exceptions;
- Approve personnel policies; and
- Periodically review employee benefits.

## **In General,**

### **The staff will:**

- Make a good faith effort to communicate all significant information
- Ungrudgingly complete requests for ad hoc reports

### **The board will:**

- Give serious attention to financial information
- Be understanding when problems occur
- Make only reasonable requests for ad hoc reports
- Work as problem solvers as well as governors
- Appreciate that tough questions are appropriate and not hostile
- Be willing to ask "tough" questions
- Respect the difficulty of the work, and express appreciation when appropriate
- Have good answers
- Ask good questions

## CASE STUDY: MAPLE AIDS FOUNDATION

Until a month ago, everything appeared to be running smoothly at the Maple AIDS Foundation. With a staff of forty, a volunteer corps of over 200, and an executive director well-regarded by the public, the board of the Maple AIDS Foundation had good reason to be satisfied with its work.

But over the last month, a trickle and then a torrent of bad news poured forth. A long-time program director left, filed a wrongful termination lawsuit and charged the organization with mis-use of government monies. Although she has made some dramatic accusations against the Maple AIDS Foundation (which have been reported in one of the gay newspapers), she refuses to meet with the board to discuss her allegations. The board also discovered that seven months ago the state had ruled several of the Foundation's contractors to be employees, and was now demanding over \$10,000 in back payroll taxes and penalties. Finally, as barriers and inhibitions between staff and board members tumbled, board members heard a barrage of criticisms of the executive director, including excessive use of travel funds and neglect of fundraising duties.

Christina had only recently become Board President when the crisis emerged. "Actually," she comments, "I was really the Vice President, but when this whole thing erupted we all had to come to terms with the fact that Bob, the Board President, was really too ill to do what was needed. So people weren't used to seeing me as being in charge of the board. It was also more complicated because the organization has its roots in the gay, white community, and being Chinese and straight I'm not as familiar as others with some of the dynamics on staff or with dealing with the gay press."

The Maple AIDS Foundation is in crisis and its board is stepping up to the challenge. "The good news," says Christina, "is that everyone comes to the meetings and pays total attention. The bad news is that last week we had four meetings."

The board of the Maple AIDS Foundation had been built for fundraising, and the organization's success at special events and major donor solicitations made Maple the envy of other AIDS organizations in the area. Now that a crisis has

appeared at a staff level, the board finds it knows surprisingly little about operations. "We were very conscious that we shouldn't micro-manage the details," says Christina. "Now we realize we should have been asking more questions."

**Comment:** Asking staff for documentation is not easy for boards. It seems distrustful or like micro-managing to ask for a report of the executive director's expense reimbursements, or for a list of contractors and payments made to them, or to review salary schedules. The board of the Maple AIDS Foundation had strong, mutually admiring relationships with executive staff, which neither side wanted to disrupt.

As organizations grow and their boards take on more and more of the support aspects of board responsibilities, it is too easy for them to lose sight of their governance responsibilities. Along with the terrific fundraisers that Maple AIDS Foundation has on the board, they need to add some people who will, on behalf of the board, pay more attention to financial controls and compliance with personnel policies. Also, "front-line" volunteers or clients may provide information or perspectives that board members do not have. In this case, for example, it was apparent to many people throughout the organization that Maple AIDS Foundation was on the brink of crisis, but talk of the problems didn't get to the ears of board members who might have initiated an investigation.

The Maple AIDS Foundation will pull out of this crisis but at a huge cost financially, emotionally, and to the organization's credibility. Like the board of the United Way of America, the Maple AIDS Foundation board has found out the hard way the need to be sure that matters are as smooth as they seem.

**As organizations grow and their boards take on more and more of the support aspects of board responsibilities, it is too easy for them to lose sight of their governance responsibilities.**



## BOARDS & FUNDRAISING

### Isn't the board supposed to raise money?

One of the principal ways in which a board fulfills its responsibilities is through developing and implementing a strategy for finding the funds necessary for the organization's work. In its governance role, the board is responsible for ensuring that a fundraising strategy is developed. In its supporting role, the board pitches in and helps the organization raise funds. Just as individual board members are involved at different levels in financial oversight, board members will have different levels of involvement in fundraising.

A fundraising strategy is a plan for how the organization will raise the funds it needs. A fundraising strategy involves deciding on an appropriate mix of various methods of raising money, and developing the resources needed to carry out the strategy. For one organization, a combination of government funds and foundation grants may be best. For another, government funds may be substantially supplemented with funds raised through special events and an annual mail appeal. For another, raising money through churches and through a few large donors is the right strategy.

All fundraising strategies turn on two ideas: first, using several methods by which to raise money, and second, connecting lots of people to one or more vehicles. The more people who know the good work of the organization and who are committed to the organization, the more people there are with contacts who can then be connected to the various fundraising vehicles.

Not all board members must be involved with fundraising all the time. Some board members may be involved with face-to-face solicitation of gifts, while other board members can plan special events, write mail appeals, or send thank-you notes. Here is a practical list for boards:

In its governance role, the board should:

- Work with staff to develop a fundraising plan for the organization. This plan identifies the primary means through which the organization expects to raise funds, and often includes a calendar showing when events, grant proposals, government contracts, phone-a-thons and other components are due or scheduled.
- Monitor progress on the plan. The board should review whether revenue goals are being met in each category of funds. If performance is falling short of the goal, the board needs to consider what action may be called for, or whether the projections need to be revised.
- Ensure that donations are acknowledged promptly and appropriately, and that cash and in-kind contributions are documented properly.
- Recruit board members who can help the organization with its fundraising strategy, and ensure that new board members are aware of board practices on fundraising.

As supporters, board members should:

- Give money. Most organizations want to be able to make the powerful statement: "One hundred percent of our board members have made a personal contribution this year." Rather than set a specific amount of money, we think boards should establish a policy that each board member should make a contribution each year at a level that is meaningful. For some board members, this may be \$5.00, while for others it may be \$5,000 or \$50,000. Some boards ask that each board member make a contribution that a peer would consider generous or equal if not greater than his or her most generous contribution made to any other charity.
- Help obtain donated items that will be of real value to the organization. Goods and services help an organization as much as money. Board members may be able to find volunteers through their





churches, raffle donations from stores they patronize, a big photocopying job from where they work, or food for the food bank from their neighbors.

- Ask others for money. Some board members may work for companies that will match employee contributions. Others may be able to hold fundraising events at their homes. Board members can accompany staff to meetings with foundations or government agencies.

- Offer skills to help implement the fundraising plan. A board member with strong writing skills might volunteer to help write the mail appeal. Another board member might volunteer to help input recent contributions into the computer filing system. Still another might take photographs for the annual report, or do the layout for a brochure.

What are the keys to success?

1. Leadership. The board president or another board member needs to provide an example and act as a leader in fundraising. This doesn't mean that he or she must be a major donor. The board president ensures that a fundraising strategy is developed and that progress is monitored. The board president can, by attitude as well as in words, bring fundraising matters openly and honestly to board meetings.

2. Expectations. There is almost nothing more frustrating than for a sincere person to join a board only to be told six months later, "Give or get out." Be sure that your board's policy on individual giving is clearly communicated to prospective board members. If your board doesn't have a policy, be sure that when you discuss having one, individual board members are aware that policies will go into effect within the next year.

3. Diverse methods and roles. A successful fundraising strategy has several different channels through which people can get involved. Not all board members need to be involved in every component. If board members can choose one or two fundraising activities at the beginning of the year, they need not be pressured throughout the year to participate in *every* activity.

4. Mentoring and training. Most people feel best about taking on a job when they feel confident they can do the job. Board members aren't any different when it comes to fundraising. Whether it's planning the annual dinner or asking face-to-face for contributions, board members need both training and ongoing mentoring and support. For example, if a board member is going to accompany a staff person on a visit to a foundation, spend some time beforehand deciding who will say what, and anticipating (and practicing!) answers to possible questions.

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## **GETTING STARTED ON FUNDRAISING: FIVE THINGS ONE BOARD MEMBER CAN DO AND SIX THINGS THE BOARD CAN DO TO GET STARTED**

### **Five Things One Board Member Can Do to Raise \$100 to \$5,000**

1. Make a personal contribution. Write a short handwritten note to the board president to explain why you are making the contribution, and give the check and note to him or her at the end of a board meeting.
2. Hold a dessert party at your house or apartment. Invite twenty friends and relatives, and tell them they will learn about the organization, be asked but not pressured to make a contribution, and will enjoy a great dessert. Hold the party on a weeknight at 7 pm. The day before the party, call everyone again and urge them to attend. Invite three or four other board members so they can learn how to do this. Make or buy finger desserts, such as cookies or cream puffs. Make some cupcakes but don't serve them. At the party, have one client speak for 3 minutes about what the organization has meant in his or her life. Then have one staff person speak for another 3 minutes. Then you explain to the group why you're on the board, and why you think the organization is important. Ask your friends if they have any questions you can answer. Then ask them, if they feel it's worthwhile, to make a contribution before leaving the party. Tell them that as a bonus you'll give them two cupcakes to take home if they make a contribution (the idea is to give them a "reason" to write the check tonight).
3. Write a letter and send it to ten friends and relatives. In the letter, explain why you are volunteering your time at the agency. Ask them to consider making a contribution to the organization, and include the organization's name and address. Give the list to the staff and ask them to tell you immediately if they get any contributions. Or better yet, ask your friends and relatives to send the contributions directly to you.
4. Volunteer to match the contributions from other board members. Tell the Board that you will match, dollar-for-dollar, every contribution from a board member within the next thirty days, to a total of \$2,000. The catch: you'll only do it if each

and every board member makes a contribution. Alternatively, have a staff member tell the board that an anonymous board member has made this offer.

5. Get together with two or three other people on the board, and pledge significant gifts. Then write a letter to all the board members that says, "We—Gerald, Pat, Laura, and Edgar—have pledged to give a combined total of \$4,200 to our organization this year. We're doing this because we believe in the work we're doing and we want to make sure we can do as much as we can. Won't you join us in building the important work of our organization?"

### **Six Things the Board Can Do**

1. Invite a board member from another AIDS agency to come and share their experiences (successful and unsuccessful) raising money. Schedule a 15 minute presentation and leave time for questions. Don't expect to have any immediate action; this is food for thought.
2. Invite a board member from a non-AIDS agency in your community (such as a housing agency, a child care center, a community center) to make a presentation on how they raise money.
3. Schedule a discussion on fundraising. Ask each board member to relate a positive and a negative experience with fundraising. Make a list to help you learn how to avoid having similar negative experiences, and so you can remember how the positive experience unfolded.
4. If you don't have one, form a Fundraising Committee. Remember, the Fundraising Committee doesn't have to raise the money by itself; its job is to develop a plan for how the organization, including the board, will raise money.
5. If no one wants to be on the Fundraising Committee, bring on new board members with an interest in and a commitment to starting a Fundraising Committee.
6. Have the Board President ask everyone to make a personal contribution at a level that is meaningful to them and have the Board President follow-up with phone calls.





## EVALUATING THE EXECUTIVE DIRECTOR

**B**ecause the executive director is so central to the success or failure of the agency, evaluation of the executive director by the board is an important component of the board's oversight and governance responsibilities.

Too often evaluations (and job descriptions) are undertaken only when the board has become unhappy with their chief executive. But an annual evaluation (along with ongoing informal feedback) helps the executive director understand areas that need improvement, as well as areas where the board is insufficiently informed. A written evaluation also serves to document the executive director's accomplishments as well as unsatisfactory performance. A committee of the board (often the board officers) leads the evaluation process, reports on the evaluation to the entire board, and recommends salary for the next year. This committee should also handle other board actions related to the executive director.

Because the executive director acts both directly and indirectly through others to manage the organization, evaluating the executive director's performance is inevitably linked to evaluating the agency's performance as a whole. As a result, many boards incorporate evaluation of the executive director into the annual review of *organizational* performance and goal-setting for the coming year.

Most boards of directors involve only other board members directly in the evaluation process. Others choose to utilize feedback from the staff on the executive director's work as well. Still others go outside the agency to gather information regarding the performance of both the agency and the executive director.

An annual assessment approach (using, for example, the form included in this handbook) provides a straightforward way through which board members

can provide feedback to the executive director, and gives the director a clear set of criteria which will be used in the evaluation. An important shortcoming in the assessment questionnaire is its basis on the perceptions of board members, who frequently have very limited views of the executive director's performance. Problem directors can hide performance problems from the board much more easily than from staff, clients, or funders.

A second shortcoming is that the quantitative nature of the assessment questionnaire tends to attribute the same level of importance to all activities, and success with smaller tasks can inappropriately compensate for a big failure. For example, if an executive director does wonderful program and community work, but has incurred a huge deficit leading the agency to the brink of bankruptcy, the problem will only show up as one or two negative "grades" and won't affect the "grade point." Because of these shortcomings, it's important to see the annual assessment not as the evaluation itself, but as the starting point, for a discussion.

No matter which technique is used to initiate discussion on the executive director's performance, boards need to discuss their sense of where the director and the agency are succeeding and which areas need more attention. Once boards begin the evaluation process, they usually find the information they need and are able to work constructively with the director to set new objectives for the coming year.

Regardless of the evaluation process used, don't forget that executive directors need feedback all year round. Like any employee, executive directors need praise and acknowledgment for work well done, and immediate feedback when problems arise. In the best situations, the board president and officers have established good working relationships with the executive director where constant feedback flows in both directions. The annual formal evaluation is an important component of, not a substitute for, that relationship.

**Regardless of the evaluation process used, don't forget that executive directors need feedback all year round.**





## EXECUTIVE DIRECTOR'S ANNUAL ASSESSMENT

Please rate your assessment of each category of performance as Remarkable, Satisfactory, Unsatisfactory or Unknown

### Agency Wide: Program Development and Delivery

(Circle one)

- |                                                                                                                                                                                        |   |   |   |     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----|
| a. Works with the board and management staff to ensure that the agency has a long-range strategy which achieves its mission, and toward which it makes consistent and timely progress. | R | S | U | Unk |
| b. Provides leadership in developing program and organizational plans with the Board of Directors and staff                                                                            | R | S | U | Unk |
| c. Meets or exceeds program goals in quantity and quality                                                                                                                              | R | S | U | Unk |
| d. Evaluates how well goals and objectives have been met                                                                                                                               | R | S | U | Unk |
| e. Demonstrates quality of analysis and judgment in program planning, implementation, and evaluation                                                                                   | R | S | U | Unk |
| f. Shows creativity and initiative in creating new programs                                                                                                                            | R | S | U | Unk |
| g. Maintains and utilizes a working knowledge of significant developments and trends in the AIDS/HIV field.                                                                            | R | S | U | Unk |

*Comments:*

### Administration and Human Resource Management

- |                                                                                                                                                    |   |   |   |     |
|----------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----|
| a. Divides and assigns work effectively, delegating appropriate levels of freedom and authority                                                    | R | S | U | Unk |
| b. Establishes an effective management team                                                                                                        | R | S | U | Unk |
| c. Maintains appropriate balance between administration and programs                                                                               | R | S | U | Unk |
| d. Ensures that job descriptions are developed, and that regular performance evaluations are held and written performance appraisals are completed | R | S | U | Unk |
| e. Ensures compliance with personnel policies and state and federal regulations on workplaces and employment                                       | R | S | U | Unk |
| f. Ensures that employees are licensed and credentialed as required, and that appropriate background checks are conducted.                         | R | S | U | Unk |
| g. Recruits and retains a diverse staff                                                                                                            | R | S | U | Unk |
| h. Ensures that policies and procedures are in place to maximize volunteer involvement                                                             | R | S | U | Unk |





- |    |                                                                                                                                                   |   |   |   |     |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----|
| i. | Encourages staff development and education, and assist program staff in relating their specialized work to the total program of the organization. | R | S | U | Unk |
| j. | Maintains a climate which attracts, keeps, and motivates a diverse staff of top quality people                                                    | R | S | U | Unk |

*Comments:*

#### Community Relations

- |    |                                                                                                                                                                       |   |   |   |     |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----|
| a. | Serves as an effective spokesperson for the agency; represents the programs and point of view of the organization to agencies, organizations, and the general public. | R | S | U | Unk |
| b. | Establishes sound working relationships and cooperative arrangements with community groups and organizations.                                                         | R | S | U | Unk |

*Comments:*

#### Financial Management and Legal Compliance

- |    |                                                                                                                                                                                                                     |   |   |   |     |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----|
| a. | Assures adequate control and accounting of all funds, including developing and maintaining sound financial practices                                                                                                | R | S | U | Unk |
| b. | Works with the staff, Finance Committee, and the board in preparing a budget; see that the organization operates within budget guidelines.                                                                          | R | S | U | Unk |
| c. | Maintains official records and documents, and ensures compliance with federal, state and local regulations and reporting requirements (such as annual information returns; payroll withholding and reporting, etc.) | R | S | U | Unk |
| d. | Jointly, with the president and secretary of the board of directors, conduct official correspondence of the organization, and jointly, with designated officers, execute legal documents.                           | R | S | U | Unk |
| e. | Assures that funds are disbursed in accordance with contract requirements and donor designations                                                                                                                    | R | S | U | Unk |

*Comments:*



### Fundraising

- |                                                                                                                                |   |   |   |     |
|--------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----|
| a. Develops realistic, ambitious fundraising plans                                                                             | R | S | U | Unk |
| b. Meets or exceeds revenue goals, ensuring that adequate funds are available to permit the organization to carry out its work | R | S | U | Unk |
| c. Successfully involves others in fundraising                                                                                 | R | S | U | Unk |
| d. Establishes positive relationships with government, foundation and corporate funders                                        | R | S | U | Unk |
| e. Establishes positive relationships with individual donors                                                                   | R | S | U | Unk |

*Comments:*

### Board of Directors

- |                                                                                                                              |   |   |   |     |
|------------------------------------------------------------------------------------------------------------------------------|---|---|---|-----|
| a. Works well with board officers                                                                                            | R | S | U | Unk |
| b. Provides appropriate, adequate, and timely information to the board                                                       | R | S | U | Unk |
| c. Provides support to board committees                                                                                      | R | S | U | Unk |
| d. Sees that the board is kept fully informed on the condition of the organization and all important factors influencing it. | R | S | U | Unk |
| e. Works effectively with the board as a whole                                                                               | R | S | U | Unk |

*Comments:*

Are there specific performance objectives, either for the executive director or for the agency as a whole, which you would suggest we add for the coming year?

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Are there any other comments you would like to make?

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## A "360 DEGREE ASSESSMENT" OF THE AGENCY

There are several reasons why board members have a limited ability to tell whether the agency is functioning well. First, board members often have only a little time each month to spend on their volunteer board commitments. Second, board members are often unfamiliar with HIV and AIDS services, and perhaps unfamiliar as well with elements of nonprofit management. In addition, board members often receive most or all of their information from the agency's executive director. And in many ways, the best judges of the agency's performance are "outside" the agency: the clients and the community served. As Aristotle commented long ago: "The guest is a better judge of the feast than the cook."

A 360 Degree Evaluation is named after the definition of a circle, and in a 360 Degree Evaluation, the board seeks feedback from those who stand around the outside of the circle as well as inside it: clients, the community, volunteers, donors, funders, and staff.

The following steps can be considered as examples of ways to obtain input from a variety of constituents and sources:

1. From staff: Consider asking staff as well as board members to anonymously complete the Executive Director's Annual Assessment or a staff "climate survey" to learn more about how they see the agency's strengths and weaknesses. These comments should be shared with the executive director, and the board officers or a small committee of the board should meet with staff to respond to concerns or staff recommendations.
2. From foundation, corporate, and government funders: Board members can conduct a series of telephone interviews with foundation and government program officers, in which a board member asks, for example, for comments on the quality of written proposals submitted,

quality of communication and interaction with the agency, the agency's reputation in the community, and suggested areas for improvement or change.

3. From donors and volunteers: Staff and/or board members can conduct telephone interviews with major donors and key volunteers, asking for feedback on how well the agency involves and informs them, and seeking perceptions about the agency's effectiveness.
4. From clients: Consider holding one or two focus groups with clients, facilitated by an experienced focus group facilitator, where clients can give feedback on current services and unmet needs. A more extensive client survey can involve a written questionnaire, a telephone survey, or in-person interviews. An extensive survey may be undertaken as part of a strategic planning process or the information may be collected routinely in follow-up contact.
5. From independent management evaluators: In addition to an annual audit by a certified public accountant, the board can contract with a consultant to conduct a "management audit" of the organization. Professional program evaluators assess human service programs both to find ways that the programs can be improved and to determine the outcomes of the agency's services and the impact on clients and the community.

**...in many ways, the best judges of the agency's performance are "outside" the agency...**



## CASE STUDY: COTTONWOOD HIV CENTER

Daniel grinned at the memory: "It was a great example of something good coming from working with the board!" Daniel, the executive director of the Cottonwood HIV Center, recounted a meeting with a member of the board that renewed his commitment to community work. "I was exhausted. I felt like I was juggling a million balls all at once—trying to work with the staff to keep everyone connected, fighting for funding at the county level, coping with the in-fighting among some of the other AIDS agencies—and on top of it the air conditioning went out!"

Daniel's board had asked him to have lunch at least once a year with each board member, and the last thing he felt like doing that day was having lunch with the Treasurer, Kate. "I hadn't done the projections she'd asked me to do, and I really didn't feel like having to pacify yet another person," he recalls. But their lunchtime talk didn't focus on Kate's complaints.

"We just started talking about all kinds of things . . . she has a wonderful quality of asking questions and making you think about things in different ways than you've ever thought of before. That day I think we both realized how much the Cottonwood Center really has accomplished: not just for people with HIV but in prevention work among homeless young people. During that lunch we got the beginnings of a new idea for prevention education that we just submitted proposals for."

Comment: Daniel's and Kate's experience is not uncommon in relationships between executive directors and boards. One-on-one time helps closer relationships develop, and casual, "off-line" interaction often provides a place where unexpected insights can emerge. Caught up in the day-to-day matters, Daniel's vision had faded and his perspectives on the non-HIV world had narrowed. As he himself commented, "Seeing Kate's commitment to the work and her belief in us gave me a new commitment to our clients and a new belief in us! That lunch was a year ago . . . but I still carry that feeling with me like a gift."



## HIRING AN EXECUTIVE DIRECTOR

**H**iring and firing an executive director are two of the most important and difficult tasks a board must be prepared to perform.

Many of the principles used in hiring staff are sound principles for boards to use in seeking and hiring new executive directors.

1. Place high priority on attracting a sizable, qualified pool of applicants. In contrast, too often boards do little to widen their choices, and instead concentrate their energies on choosing among only a few choices. Some ways to increase the pool:

- Advertise widely, in the neighborhood and ethnic presses as well as in city-wide newspapers and national newsletters;
- Ask each board member to make two telephone calls to well placed individuals asking them to suggest candidates;
- Register with local employment assistance organizations, such as a nonprofit that helps women with career choices;
- Send job announcements to dozens of AIDS and other community organizations, and ask them to circulate and post the job announcement; and
- Look outside your immediate field for candidates. For example, an HIV prevention organization might find good candidates with backgrounds in heart disease prevention or in child abuse prevention.

2. Remember that at different times an organization will need executive directors with different abilities. At one time an organization may need an executive director with a strong program

background; at another, a director with a strong financial background.

3. Establish an Executive Director Search Committee that gathers input from board members, staff and others in the field about the qualifications and requirements for the position. The committee can write a job announcement and a job description, and screen applicants for final interviews with the full board.
4. Consider contracting with an executive search consultant or firm. Search consultants may have contacts in less familiar fields, and the time to call people who may have suggestions. But be careful: some organizations have had negative experiences with search consultants who end up doing little or inappropriately screening out some candidates.
5. Confirm degrees, licenses, and other qualifications. Write to the university or state board to confirm, for examples, a master's degree or RN.
6. Contact references in addition to the ones provided by the candidate. If a candidate has previous executive director experience, for example, contact several board members from that organization as well as some funders of that organization.
7. Take the opportunity to consider whether you want to change the employment terms for the executive director position. Perhaps a wider salary range should be considered, or a one-year employment contract instead of an open-ended hire. Authorize two individuals to conduct negotiations on salary, benefits, and other matters once you have identified your top candidate.
8. Take your time. Selection of the CEO is perhaps the most crucial decision the board will make for the next five years. Let committees meet with the top candidate, and spend some infor-

**Many of the principles used in hiring staff are sound principles for boards to use in seeking and hiring new executive directors.**



mal time with the top candidate before you make a decision to offer someone the job. It may be appropriate to ask an existing staff member to serve as Acting Executive Director in the interim; some organizations have hired an individual from the outside to serve as Temporary or Interim Executive Director.

9. After you have hired the new executive director, make the effort to introduce him or her to the staff and to the community. Some boards hold a series of informal dinners or receptions at which the new director can begin to forge important relationships.

### **SHOULD THE BOARD HIRE FROM WITHIN?**

Many board members come to the process with a prejudice either that hiring from existing staff is a bad idea, or that it's the best idea. There are significant advantages to considering and hiring internal candidates, although there also are advantages to bringing a fresh perspective to the organization's leadership.

Hiring an internal candidate, such as a program director or development director, carries many immediate advantages to the agency. There is less risk of making a major mistake if board members are already familiar with the candidate's work. If the candidate is well-liked on staff, an internal hire provides a boost to morale. Less time is lost while the new executive director learns the programs, personalities, and networks of the agency.

At the same time, the convenience of an internal hire may result in hiring a well-liked candidate but one who is not truly up to the demands of the organization in its next phase. And, if an organization has a reputation for weak management, an internal candidate will find it more difficult than an outside candidate to take advantage of changed leadership to change the organization's image. An internal candi-

date may find it more difficult to establish authority over managers who were once peers.

Considering internal candidates need not mean canceling a search process. Many boards welcome applications from internal candidates which are considered alongside applications from outside candidates. Although some people might find this process "impolite" to inside candidates, one benefit is that an inside hire, made on a competitive basis, gives the new director confidence that he or she was chosen on merit, not just for convenience.



## SAMPLE POSITION DESCRIPTION FOR EXECUTIVE DIRECTOR

The Executive Director is the Chief Executive Officer of the Acacia AIDS Alliance, which provides practical and emotional support to people with AIDS, and conducts prevention education programs in the Eastside community. The Acacia AIDS Alliance has been in operation for five years, has an annual budget of \$600,000, nine paid staff and over 40 volunteers.

The Executive Director reports to the Board of Directors, and is responsible for the organization's consistent achievement of its mission and financial objectives.

In program development and administration, the Executive Director will:

1. Assure that the agency has a long-range strategy which achieves its mission, and toward which it makes consistent and timely progress.
2. Provide leadership in developing program and organizational plans with the Board of Directors and staff, and carry out program plans and policies authorized by the board.
3. Promote active and broad participation by volunteers in all areas of the organization's work.
4. Maintain official records and documents, and ensure compliance with federal, state and local regulations.
5. Maintain a working knowledge of significant developments and trends in the AIDS/HIV field.

In communications, the Executive Director will:

1. See that the board is kept fully informed on the condition of the organization and all important factors influencing it.
2. Publicize the activities of the organization, its programs and goals.
3. Establish sound working relationships and cooperative arrangements with community groups and organizations.
4. Represent the programs and point of view of the organization to agencies, organizations, and the general public.

In relations with staff, the Executive Director will:

1. Be responsible for the recruitment, employment, and release of all personnel.
2. Ensure that job descriptions are developed, and that regular performance evaluations are held.
3. See that an effective management team, with provision for succession, is in place.
4. Encourage staff development and education, and assist program staff in relating their specialized work to the total development of the organization.
5. Maintain a climate which attracts, keeps, and motivates a diverse staff of top quality people.

In budget and finance, the Executive Director will:

1. Be responsible for developing and maintaining sound financial practices.
2. Work with the staff, Finance Committee, and the board in preparing a budget; see that the organization operates within budget guidelines.
3. Ensure that adequate funds are available to permit the organization to carry out its work.
4. Jointly, with the president and secretary of the board of directors, conduct official correspondence of the organization, and jointly, with designated officers, execute legal documents.

### Qualifications

1. Bachelor's degree or graduate degree with a major in health, education, or a related field.
2. A minimum of five years experience in administration, directing a business firm or nonprofit agency involving supervision of a diverse staff and management of significant funds.
3. Experience working with volunteers and a commitment to volunteer leadership and involvement.
4. Demonstrated success in fundraising and public relations.
5. Exceptional management ability and a sincere commitment to the goals and values of the organization.

**Hiring an internal candidate, such as a program director or development director, carries many immediate advantages to the agency.**



## FIRING AN EXECUTIVE DIRECTOR

Sometimes it's necessary for a board to fire the executive director. Occasionally the decision is clear to everyone, such as in instances of embezzlement or unethical behavior. But more often, over time board members increasingly get indications that the director is either not doing the job or causing problems for the agency.

The prospect of open conflict with the executive director is so dismaying that many board members who are dissatisfied with the director's performance choose instead simply to resign when their terms expire. Others try to look the other way for as long as possible. Dissatisfaction with the executive director often appears first as rumblings, such as a staff member complaining to a board member about morale, or committee members confiding their concerns to one another.

When such rumblings appear, the board should hold an executive session and establish an investigative committee to clarify the content and extent of the dissatisfaction, and determine what general approach is appropriate. If, for example, there are rumors of sexual harassment, the committee (or a consultant) can interview staff and volunteers and determine whether the rumors are frivolous or whether they require a more formal investigation. In another example, the committee may find that the executive director simply doesn't understand the administrative approach the board wants to see taken; in such an instance the board may choose to set up a series of meetings with the executive director to clarify directions and improve communication.

If the board has strong reservations about whether the executive director's performance is satisfactory, the board should establish a committee to work more closely with the director in a supervisory capacity. Beginning with letting the executive director know the extent of dissatisfaction on the board, the committee can document the problems and take steps to improve the director's performance.

If performance doesn't improve over time, and the director is fired by the board, the ongoing documentation can help deter a lawsuit against the agency by the former executive director. No level of documentation can guarantee that a lawsuit won't be brought, but an agency holds a stronger position in court and in the community if personnel policies have been followed, if steps have been taken to improve performance, and if those steps are documented as having failed.

If, after appropriate investigation and deliberation, a board feels that the executive director should leave the organization, it may choose first to have the board officers approach the director and suggest that a resignation would be welcome. Many executive directors under pressure prefer resignation to being fired, and some board members feel that a resignation leaves the organization in a better light than termination does.

Whichever is chosen, board action to terminate or to accept a resignation should be put into the minutes. The board should document whether there is any severance pay, any remaining tasks to be completed by the departing executive director, and close any other financial relationship. The board should develop a straightforward explanation for the resignation which can be communicated to staff, volunteers, funders, and others in the community.



*Letter accepting executive director's resignation*

Dear

On behalf of the board of directors of XXX, I am writing this letter to tell you that the board received your letter of November 15 and has accepted your resignation from the position of executive director as of November 30, 1995.

By November 30, you will submit a final expense reimbursement request for the period of your employment, and return to the office the fax machine which you have been keeping at your home.

Your final paycheck, along with a check for accrued vacation, will be issued on November 30, and represents final payment from the XXX organization for your services.

Sincerely,

YYYY

President, Board of Directors

## BOARD AFFAIRS

In addition to providing the appropriate mix of governance and support to its organization, a board of directors must be capable of managing its own affairs. The board must understand the technical issues underpinning its authority and responsibilities, and learn to manage the rhythm of its work as a board. "Board affairs" covers a wide range of management issues, including: understanding a board's legal liability; deciding when and how to remove a board member; determining when there is a need to hold board executive sessions; and deciding if and when to schedule a board or board/staff retreat.

### THE BOARD ASSESSES ITS OWN WORK

Just as the board monitors and assesses the work of the staff, the board must also turn its attention to its

own responsibilities and accomplishments. An annual self-assessment has several important advantages:

- Determining the criteria for the assessment is a good mechanism by which the board can develop its values and set standards for itself;
- By conducting a survey of all board members, the board can take a look at itself as a whole, including those who are quiet at meetings; and
- Over time, assessments provide feedback to the board officers and to the executive director on how well the board is working together.

Following is one example of a board self-assessment survey. It is based on the objectives outlined in the Board Responsibility Matrix on page 10. This or a similar assessment can be completed by each board member anonymously. The results for each question then can be tallied and presented using bar graphs to show the spread of the board members' opinions. An example of a bar graph tally is presented at the end of the survey.





## BOARD SELF-ASSESSMENT SURVEY

Please rate your assessment of the Board of Directors performance in each category as Not Satisfied, Somewhat Satisfied, Satisfied, or Very Satisfied.

How satisfied are you that the board:

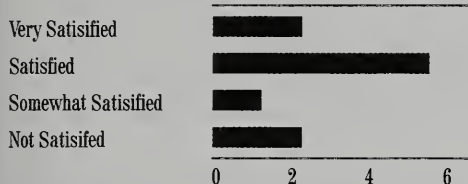
	(Circle One)			
1. Understands the mission and purpose of the organization?	NS	SS	S	VS
2. Ensures legal compliance with federal, state and local regulations?	NS	SS	S	VS
3. Ensures that government contract obligations are fulfilled?	NS	SS	S	VS
4. Has a strategic vision for the organization?	NS	SS	S	VS
5. Is knowledgeable about the organization's programs and services?	NS	SS	S	VS
6. Monitors and evaluates the performance of the executive director on a regular basis?	NS	SS	S	VS
7. Provides financial oversight for the organization, including adopting a realistic budget that maximizes use of resources?	NS	SS	S	VS
8. Monitors financial performance and projections on a regular basis	NS	SS	S	VS
9. Has adopted a fundraising strategy to ensure adequate resources?	NS	SS	S	VS
10. Has a clear policy on the responsibilities of board members in fundraising?	NS	SS	S	VS
11. Acts as ambassadors to the community on behalf of the organization and its clients?	NS	SS	S	VS
12. Understands the role that volunteers play in the organization and the organization's philosophy of volunteer management?	NS	SS	S	VS
13. Understands the respective roles of the board and staff?	NS	SS	S	VS
14. Currently contains an appropriate range of expertise and diversity to make it an effective governing body?	NS	SS	S	VS
15. Effectively involves all board members in board activities and responsibilities?	NS	SS	S	VS
16. Regularly assesses its own work?	NS	SS	S	VS

Once all the survey answers have been tallied, the compiled information should be presented to the board. Here is an example of how the results for one question were presented to a board that has ten members, all of whom completed the self-assessment survey:



## QUESTION 9:

How satisfied are you that the board has developed a fundraising strategy to ensure adequate resources?



Based on the survey results, the board can see which areas call for greater attention over the coming year. For example, if some board members are satisfied that the board is adequately informed about the organization's programs and services, while others are not, perhaps a tour of the facility and a briefing can be held for the hour preceding a board meeting for those board members who would like to be better informed.

## CAN WE BE SUED? SHOULD EVERY BOARD GET LIABILITY INSURANCE?

Some of the most common questions that a potential board member will ask are: "Can I be sued? Are my personal assets at risk if I join the board? Does the agency have directors and officers (D&O) insurance?"

Nonprofit board members' liability and whether boards should acquire directors and officers insurance are the subjects of entire pamphlets and books. According to *D&O—Yes or No?*, a publication of the Nonprofit Risk Management Institute in Washington, D.C., a few facts concerning liability and lawsuits are clear:

- Most claims stem from the employment process, and most frequently are charges of harassment, discrimination, or wrongful termination.
- Few board members—unless they engaged in self-dealing or blatant misconduct—have been held personally liable in D&O lawsuits.
- The vast majority of claims are settled without a trial, while trial defense costs—even when the defense is successful—can be very high.

Board members of nonprofit organizations are protected to some degree by the very act of incorporation. Incorporation creates a "corporate veil" that protects individuals from personal liability for harm caused by another person who was acting on behalf of the organization. In addition, many states have enacted specific statutes which either eliminate or limit personal liability of volunteer board members for actions of the organization. Nonetheless, nonprofit board members are significantly more likely to be sued than was the case fifteen years ago, and nonprofit boards increasingly choose to purchase directors and officers insurance.

## HOW CAN WE PROTECT OURSELVES?

D&O insurance broadly covers a "wrongful act," but policies typically include a number of exclusions and limitations, such as the time period of the policy's coverage. Common exclusions include sexual misconduct, Employee Retirement Income Security Act (ERISA) claims, and fines or penalties such as those stemming from tax violations. D&O insurance can NOT cover board members in cases of tax problems or criminal acts.

Thus, D&O insurance should not be viewed as a substitute for a board instituting other and equally important safeguards. The protection from personal liability in cases of negligence remains only as long as a director observes specific standards of conduct, including:

**Board members of nonprofit organizations are protected to some degree by the very act of incorporation.**



- *Duty of care*—acting with the same care as a “reasonably prudent person” would exercise under similar circumstances, in good faith, and in a manner reasonably believed to be in the best interest of the organization (note: this or similar language, which leaves much room for interpretation, is to be found in almost every state’s corporation code);
- *Duty of loyalty*—not engaging in any activities which would injure or take advantage of the organization, including self dealing activities; and
- *Duty of obedience*—following federal and state statutes and contractual agreements such as laws prohibiting discrimination, etc.

One way board members can adhere to a standard of care is to rely on the opinions of experts. For example, an agency might obtain a permit from the municipal building inspector certifying that a particular building is suitable for ambulatory AIDS patients. However, if the board had received a report from the building inspector that indicated that the building needed significant repairs—and the board failed to ensure that those repairs were made—then the board could conceivably be held liable for an injury that occurred because of their negligence (read: failure to follow a “standard of care” as defined above).

Despite the increasing number of lawsuits, board members have been held personally liable in only a very few cases. D&O offers peace of mind for board members who may be reluctant to join the board for fear of jeopardizing their personal assets, and D&O may cover the legal fees if and when a director and/or officer is sued.

While the price of D&O insurance seems high (small to medium-size nonprofit organizations will pay \$1,500 - \$5,000 per year), peace of mind and prepaid legal expenses may make D&O insurance a wise choice.

Following are some general guidelines based on the standard of care. These safeguards can do a great deal to protect the organization, its clients, and the personal assets of individual members of the board of directors.

1. Act at all times with the benefit of the corporation and its charitable purpose in mind.
2. Attend board and committee meetings and make sure your vote is recorded: a board member can be found liable for either supporting an act of the board or not opposing an activity—even if he or she is not aware of the activity due to absence from a meeting. See that a written record of each board meeting is kept and approved.
3. Disclose all possible conflicts of interest, abstain from voting when you feel there may be some conflict, and avoid self-dealing activities. Discourage business dealings between directors and the corporation.
4. Be familiar with organization bylaws, and work to ensure that they are followed.
5. Make sure state and federal statutory regulations are met, including but not limited to: filing of annual information returns (such as federal Form 990), remitting withheld payroll taxes and employer-paid taxes, and submitting payroll reports.
6. Stay informed: review all program reports carefully; request and review regular and timely financial statements and other financial reports; ask questions.
7. Seek advice from competent experts such as lawyers, accountants, and other experts in their respective fields.
8. See that the organization has written and up-to-date personnel policies, is in compliance with





employment law, and that these personnel policies and laws are followed.

9. Make sure the organization's bylaws include an indemnification clause. An indemnification clause states that the nonprofit organization, within its financial abilities, will cover most legal fees or judgments against a board member.

Consider purchasing D&O insurance, but never consider it a substitute for common sense, practical wisdom, and informed judgment. Most organizations purchase D&O insurance through their insurance brokers. You also can contact the local United Way or statewide association of nonprofit organizations for a referral. If you do purchase D&O insurance, carefully investigate the coverage, exclusions, and time period for which the policy is applicable. Each year send copies of the paid certificate to board members.

## CONFLICT OF INTEREST

At some point, most boards become concerned about a conflict of interest between the interests of the organization and the interests of an individual board member. For example, if your organization is hiring a new bookkeeper, and the board president suggests hiring his sister, questions may arise as to whether this is appropriate. On one hand, the board president's sister is an experienced bookkeeper who, because of her personal connection to the organization, will be particularly committed to the work. On the other hand, the executive director may be reluctant to supervise the board president's sister. Still another worry may be that collusion between the board president and his sister might result in embezzlement.

Cyril Houle, in Governing Boards, suggests that there are three types of conflict of interest. One is the *potential conflict of interest*, such as the one

above. The relationship between the board president and the bookkeeper creates a situation where a conflict *might arise* between the interests of the organization and the individual interests of the board president.

A second type is *actual conflict of interest*. If the bookkeeper is hired, and at a later time the executive director wants to eliminate the position of bookkeeper, an *actual conflict of interest* occurs if the board president must take a stand as to whether or not the position should be retained.

A third type is *self-dealing*, or self-interested decisions, when a board member advocates a decision that results in personal advantage to himself or herself or to a family member.

What makes conflict of interest so difficult is that relationships between board members and the community also are a part of the contribution that board members make to the agency. If the organization is buying a new computer, for example, and a board member owns a computer store, the organization may well benefit from discounts and extra service by buying the computer at that store. It would be a mistake to rule out working with board members as vendors. Similarly, having board members who also are clients of the organization can be tremendously helpful in ensuring that a client perspective is brought into decision-making. But at the same time, a board member who is a client may find herself in a difficult position if the agency is considering eliminating a service that is used by very few clients, other than him or herself.

Two simple safeguards can go a long way towards preventing and avoiding conflicts of interest. First, the organization can establish a policy related to conflict of interest which is signed by all board members at the time they join the board. The statement can be a simple declaration or it can require detailed information about the board members' financial interests. The San Francisco Health Department has recommended that the comprehensive conflict of

**What makes conflict of interest so difficult is that relationships between board members and the community also are a part of the contribution that board members make to the agency.**



interest policy of the American Heart Association be adopted by community based agencies. A simpler version is on this page.

Second, establish disclosure as a normal habit or practice. Board members should find it customary for someone to say, for example, "I have started to date the Clinic Director and as a result feel that I must resign from the board. I would like to continue as a member of the Fundraising Committee, but not as a board member." In another situation a board member might say, "This next agenda item relates to joining a collaboration with other AIDS agencies. Because I am on the staff of one of the agencies involved, I have a potential conflict of interest, and I am going to excuse myself from the room for this discussion." Such disclosures should be recorded in the meeting's minutes.

Third, if major purchases are involved, competitive written bids should be obtained, to ensure that prices and product are comparable if there will be a financial benefit to a board member.

Perhaps even more than written policies, board and staff leadership must establish by example and attitude an atmosphere of personal integrity. Some situations may need only a brief informal comment to maintain that climate. In other situations a decision may be delayed because of the need to ensure that the decision has been made truly in the best interests of the organization. Each of us, by our words and actions every day, contributes towards a culture of integrity and responsibility.

## **SAMPLE CONFLICT OF INTEREST POLICY**

The standard of behavior at the Willow AIDS Organization is that all staff, volunteers, and board members scrupulously avoid any conflict of interest between the interests of the Willow AIDS Organization on one hand, and personal, professional, and business interests on the other. This includes avoiding actual conflicts of interest as well as perceptions of conflicts of interest.

I understand that the purposes of this policy are: to protect the integrity of the Willow AIDS Organization's decision-making process, to enable our constituencies to have confidence in our integrity, and to protect the integrity and reputation of volunteers, staff and board members.

Upon or before election, hiring or appointment, I will make a full, written disclosure of interests, relationships, and holding that could potentially result in a conflict of interest. This written disclosure will be kept on file and I will update it as appropriate.

In the course of meetings or activities, I will disclose any interests in a transaction or decision where I (including my business or other nonprofit affiliation), my family and/or my significant other, employer, or close associates will receive a benefit or gain. After disclosure, I understand that I will be asked to leave the room for the discussion and will not be permitted to vote on the question.

I understand that this policy is meant to be a supplement to good judgment, and I will respect its spirit as well as its wording.

Signed:

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Date:

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## WHAT TO DO WITH BOARD MEMBERS WHO DON'T DO ANYTHING

*"He never comes to meetings or does anything. Why does he even stay on the board?"*

*"She always says she'll take care of it and then she doesn't follow through. Aaagh!"*

Whose responsibility is it to "do something" about a board member who is "AWOL," "deadwood," undependable, a procrastinator, or worse? Answer: Yours. Every board member shares in the responsibility to involve each board member in contributing to the well-being of the board and the organization. If you're the board president or a board officer, your responsibilities include monitoring non-participation and intervening with board members when necessary. In some cases you may need to talk with the executive director about improving the way he or she works with board members. If you're the executive director you may need to discuss the situation with board leadership.

There are two things you *must* do in the case of a board member who is not participating. First, you must do *something*. The problem is likely only to get worse, and non-participating board members have a demoralizing impact on even the best of boards. Second, be confident and hopeful. Many board members just need a little reminder to be more conscientious, and others will be grateful that you've given them a graceful way to relinquish tasks or even leave the board. Things will work out.

## SHORT TERM STRATEGIES

1. Check to be sure that expectations were made clear to the board member before he or she joined the board. "I know you joined the board recently and I'm not sure that you realize that we ask all board members to attend the annual dinner and, hopefully, to help sell tickets. Let me explain to you what most board members do to sell tickets, so you can see whether you'll be able to work on this with us."
2. Hold a board discussion at which expectations are reconsidered and re-affirmed. Agree on a list of expectations for *every* board member. (See sample Board Member's Contract for a starting point for the discussion.)
3. Be sensitive to possible health issues or personal reasons why a good board member isn't participating as much as he or she has in the past.
4. Transfer the responsibilities to someone else. "I'm concerned about finishing the revision of the personnel policies. You know, John mentioned to me that he has more time for the board now that he's hired an assistant at his job. Since you're so busy, maybe it would work out for the best if John took your notes on the policies and developed a first draft."
5. Together with the board member, explore whether he or she really has the time right now to be able to be an active board member. "I'm calling to check in with you since you haven't been able to make a meeting in the last several months. Are you just temporarily a lot busier than usual? We really want to have your participation, but if it isn't realistic, perhaps we should see if there's a less time-consuming way than board membership for you to be involved."

**Every board member shares in the responsibility to involve each board member in contributing to the well-being of the board and the organization.**



## LONGER TERM STRATEGIES

1. Make it possible for individuals to take a "leave of absence" from the board if they have health, work, or other reasons why they cannot at during a given time participate fully. A board member can maintain formal membership (but not, for example, be included for purposes of determining a quorum) if he or she is "on disability leave" or "taking a six months leave."
2. Have a board discussion or a written board survey on what makes it difficult for people to participate fully. "Are there things we can change about the frequency, day, time, or length of board meetings that would make it easier for you to attend?" "Are there things about the way that board meetings are conducted that would make it easier for you to attend or that would give you more reason to want to attend?"
3. Consider whether board participation is meaningful to board members. Have lunch with some of the "semi-active" members and/or the executive director: "I'm trying to understand what we can do to involve board members more. One thing I'm sensing is that board participation just isn't as substantive or significant as some board members want it to be. What do you think are the issues, and what do you think we can do to make board membership more meaningful?"
4. Revise what you expect of board members. Perhaps responsibilities have been given to a board member that are unrealistic for any but the super-board-member. Reduce the number of committees. Re-design jobs and responsibilities to fit the ability of a busy achiever to accomplish them.

## REMOVING A BOARD MEMBER

Occasionally, a board member needs to be removed from the board. In some cases, the behavior of a board member may become so obstructive that the board is prevented from effective functioning. In other cases, a conflict of interest or unethical behavior may be grounds to remove an individual from the board. Although board member removal is rare, organizations should provide for such removal in their bylaws.

It's important to remember that strongly felt disagreements and passionate arguments are often elements of the most effective boards. Arguing for an unpopular viewpoint is not reason to remove a board member. But if a board member *consistently* disrupts committee or board meetings, or prevents the organization from effective work, it may be appropriate to consider removing the individual from the board.

Here are some ways in which board members can be removed:

- Term limits: many boards establish not only board *terms* but *term limits*, such as two-year terms with a limit of three consecutive terms. In such a situation, a board member could not serve more than six consecutive years without a year's "break" from the board. After a year off the board, an individual can once again be elected to the board. Proponents of term limits feel that limits provide a non-confrontational way to ease ineffective board members off the board. They point out that terrific board members can be asked back onto the board after one year. Opponents of term limits believe that — with proper board leadership — the board member can be guided toward either improving his or her behavior, or quietly resigning from the board.





- One-to-one intervention by the board president or other board leadership: If a board member has failed to attend several meetings in a row, or has not fulfilled other responsibilities, many board presidents take the opportunity to meet informally with the board member in question. In person or on the telephone, the board president can ask whether the person really has the time to participate more fully, and suggest whether, if time is a problem, the person would prefer simply to resign.
- Impeachment: organizational by-laws should describe a process by which a board member can be removed by vote, if necessary. For example, in some organizations a board member can be removed by a 2/3 vote of the board at a regularly scheduled board meeting.

### **SHOULD THE BOARD HOLD EXECUTIVE SESSIONS?**

An executive session is a meeting (or part of a meeting) of the board without staff present.

Because one of the board's chief responsibilities is to assess the performance of the agency and its executive director, boards often meet without staff present to discuss sensitive areas:

- Annual meeting with the auditor;
- Evaluating the executive director;
- Establishing the executive director's salary; and
- Investigation into concerns about the executive director.

Some organizations establish a type of executive session during which the only staff present is the executive director. In such sessions, discussions may include:

- Discussions related to lawsuits, complaints, or grievances from staff or former staff;
- Discussions related to individual staff situations; and
- Discussing the evaluation of the executive director with the executive director.

Executive directors frequently object to executive sessions because they think that important matters necessitate input from them. However, a major reason in favor of holding executive sessions is that the sessions can make the board's talks more constructive. If the board holds an executive session without the executive director, the executive director should be given an opportunity to respond to specific concerns discussed by the board in the closed session.

An effective way to avoid this tension is for board chairs to routinely put executive sessions on every agenda or on four agendas per year. That way, the board can meet privately without having to raise tension simply by doing so.

### **SHOULD THE BOARD SCHEDULE A RETREAT?**

A retreat is a special meeting of the board that allows time to step back from the day-to-day operations of the organization, and to examine questions in a more open-ended way than is usually possible at a regular board meeting.

Some boards schedule an annual, all-day retreat on one Saturday each year, during which they review the accomplishments of the previous year and establish plans and priorities for the coming year. Sometimes a board will schedule a half-day retreat to discuss one topic in detail. For example, a board might have a special session that begins with a presentation on managed health care, and then discuss strategic questions around the organization's possible transition to a managed care system. In another example, a board may have one evening meeting that doesn't conduct regular business, but clarifies its own role and responsibilities in the organization.

**Executive directors frequently object to executive sessions because they think that important matters necessitate input from them.**



Because board members and staff members often have little contact with one another, some organizations also choose to have retreats that bring both together for social as well as work time. Working directly with the board on a special topic or in planning work helps staff to understand the board's priorities and concerns. Board members often find that contact with the staff makes them more aware of the

day-to-day challenges and more connected with the organization's real-life activities and impact on the community.

Following is one example of what a retreat agenda might look like for a board/staff session focused on annual planning.

### **SAMPLE AGENDA ANNUAL BOARD/STAFF RETREAT**

Saturday, 9:00 am - 4:30 pm

This organization has determined that a retreat is needed to look at planning for the upcoming year, and that both staff and board should participate in the discussion. As a result, they planned for both staff and board members to meet in the morning and have lunch together, and for the board to meet by itself at the conclusion of the day.

#### **Part I: Program and Administrative Priorities:**

#### **Time Frame**

Participants: Entire Board, ED, and Program Managers

Introductions, review objectives for the meeting, review agenda

9:00 - 9:20 am

"State of the AIDS field and the Agency" report by executive director

9:20 - 9:40

"State of the Board" report by the board chair

#### **Setting Program and Organizational Priorities**

- Identify programmatic and organizational strengths and weaknesses; identify opportunities and threats: political, economic, social, technological, demographic and legal trends impacting the organization

9:40 - 10:15

- Review of previous program and administrative strategies and priorities

10:15 - 10:30

- Break

10:30 - 10:45

- Identify key issues; either discuss one or two issues or develop a plan as to how and when to address them

10:45 - noon

#### **Lunch**

Noon - 1:15 pm

- Propose future program and administrative strategies, and if possible agree on them

1:15 - 2:30

#### **Break**

2:30 - 2:45

#### **PART II: Board Priorities**

Participants: Board only

Review of Board and committee accomplishments: strengths and weaknesses in achieving objectives, how the board has worked together and board/executive director working relationship

2:45 - 4:00

Board and committee priorities/commitments for the upcoming year

Review of next steps, by when, and who is responsible

4:00 - 4:15

Evaluation of retreat (what worked; recommended changes for next year)

4:15 - 4:30

## CONCLUSION

As the AIDS epidemic spread in communities of color, community-based organizations stepped forward to meet the challenge. The past several years have seen rapid growth in organizations firmly rooted in the African American, Latino, Asian/Pacific Islander and Native American communities. Many of these organizations began at a sprint, running to get services and programs off the ground as fast as possible. Now, several years later, they are still running, meeting the evolving needs and facing new challenges to funding.

When these organizations were founded, it was hoped that they would only be needed for a few years. Many individuals and communities have found it difficult to come to the realization that community AIDS organizations will be needed for the long haul. Agencies have struggled to build organizational structures as well as services, and to develop policies about the futures of their communities, and not just their immediate present.

Today, community HIV/AIDS service organizations must assess their management strengths, recognize their weaknesses, and take action to fortify their organizations so that they may continue to help their communities struggle with the epidemic and with the politics of the epidemic.

The struggle ahead must be not only to survive, but to *prevail*. A strong board and a strong staff make a powerful partnership for that struggle that we cannot afford to be without.

## FURTHER RESOURCES

### Books & Videos

D&O—Yes or No? Directors and Officers Insurance for the Volunteer Board, by Charles Tremper  
\$6.00

To order, contact:

Nonprofits' Risk Management Center  
NRMH Publications  
1001 Connecticut Ave. NW, Suite 900  
Washington, DC 20036  
202-785-3891

Finance Manual for AIDS Organizations, by Jude Kaye and Jan Masaoka  
Published by the National Minority AIDS Council, 1993  
\$15.00; free to NMAC members  
National Minority AIDS Council (NMAC)  
1931 13th Street NW  
Washington, D.C. 20009-4432  
202-483-NMAC

Fiscal Sponsorship: Six Ways to Do It Right, by Gregory Colvin  
\$12.95 paperback/\$24.95 hardcover  
San Francisco Study Center  
1095 Market Street, Suite 602  
San Francisco, CA 94103  
415-626-1650

Fundraising for Social Change, by Kim Klein  
\$27.00  
Chardon Press  
PO Box 101  
Inverness, CA 94937  
415-663-8562

Governance is Governance, by Kenneth N. Dayton	
\$3.00 + \$2.50 shipping; \$2.10 for members	
(Sales Office only:)	(Business Office:)
Independent Sector	Independent Sector
P.O. Box 451	1828 L Street, NW
Annapolis Junction, MD 20701	Washington, DC 20036
301-490-3229	202-223-8100



Governing Boards: their Nature and Nurture, by Cyril O. Houle  
\$27.95 + \$4.50 shipping  
Jossey-Bass Publishers  
350 Sansome Street, 5th Floor  
San Francisco, CA 94104-1342  
415-433-1767

Nonprofit Governance Series: A series of ten pamphlets from the National Center for Nonprofit Boards, including, "Ten Basic Responsibilities of Nonprofit Boards," "The Nonprofit Board's Role in Risk Management," "Planning Successful Board Retreats," "Board Passages: Three Key Stages in a Nonprofit Board's Life Cycle," and others.  
\$127.00

National Center for Nonprofit Boards  
2000 L Street, NW, Suite 411  
Washington, D.C. 20036  
202-452-6262

Strategic Planning for AIDS Organizations, by Jude Kaye and Mike Allison, Published by the National Minority AIDS Council, 1994  
\$15.00

National Minority AIDS Council (NMAC)  
or  
Support Center for Nonprofit Mgmt.  
1931 13th Street NW  
706 Mission Street, Fifth Floor  
Washington, D.C. 20009-4432  
San Francisco, CA 94103-3113  
202-483-NMAC  
415-541-9000

Ten Minutes to Better Board Meetings, by Planned Parenthood Federation of America  
\$12.00  
National Center for Nonprofit Boards  
2000 L Street, NW, Suite 510-P  
Washington, D.C. 20036-4907  
202-452-6262

The Governance Guide: 90 Key Resources on Nonprofit Boards  
Annotated bibliography from the National Center for Nonprofit Boards  
\$32.00

Additional titles: What Every Board Member Should Know About the Nonprofit Sector (\$12.00); Board Member: News and Information for Nonprofit Leaders (\$3.00); and A Public Trust in Private Hands: Understanding the Work of Nonprofit Boards, a 13-minute videotape (\$29.00).

National Center for Nonprofit Boards  
2000 L Street, NW, Suite 411  
Washington, D.C. 20036  
202-452-6262

The Volunteer Consulting Group's Training Materials, presented in loose-leaf binders, with titles including, Building the Board: There is a Way; Chairing the Board; The Board Marketplace.

\$175.00 each title, or \$475 for set of all three.  
Volunteer Consulting Group  
9 East 41st, 8th Floor  
New York, NY 10017  
212-687-8530

### **Organizations and Associations**

Many organizations have written booklets and guidelines for their own boards, and may be willing to share these with others. In addition to local organizations, national organizations which have developed board materials for their local chapters include the YMCA, YWCA, Campfire, American National Red Cross, the Arthritis Foundation, and the American Lung Association.

The following organizations offer consulting, workshops, written resources, and other technical assistance to HIV/AIDS service organizations.

National Center for Nonprofit Boards  
2000 L Street, NW, Suite 411  
Washington, D.C. 20036-4907  
202-452-6262

National Minority AIDS Council  
1931 13th Street NW  
Washington, D.C. 20009-4432  
202-483-NMAC



Nonprofit Management Association

315 West 9th Street, Suite 1100

Los Angeles, CA 90015

213-623-7080

Call to find out the management support organization nearest you.

Support Centers of America

706 Mission Street, 5th Floor

San Francisco, CA 94103

415-974-5100

Network of management assistance organizations, including centers in:

San Diego, San Francisco, Oklahoma City, Tulsa, Chicago, Ann Arbor, Atlanta, New Jersey, New York, Washington, D.C., Boston and Providence.

Support Center for Nonprofit Management

706 Mission Street, 5th Floor

San Francisco, CA 94103-3113

415-541-9000 phone

415-541-7708 fax

supportcenter@supportcenter.org

Volunteer Consulting Group

9 East 41st, 8th Floor

New York, NY 10017

212-687-8530

**Periodicals**

Chronicle of Philanthropy

1255 23rd Street

Washington, D.C. 20037

202-466-1200

Grassroots Fundraising Journal

P.O. Box 11607

Berkeley, CA 94701

510-704-8714

The Nonprofit Board Report

715 Lancaster Avenue

Bryn Mawr, PA 19010

800-220-5000 phone

215-526-9818 fax



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Nonprofit Management/  
National Minority AIDS  
Council



# join the

## NATIONAL MINORITY AIDS COUNCIL

*The National Minority AIDS Council (NMAC) is the only national AIDS organization dedicated to developing leadership within communities of color to fight HIV/AIDS. Our programs are designed to provide you and your organization the tools you need to succeed.*

### CONFERENCES

NMAC produces an outstanding series of trainings, including the United States Conference on AIDS, the largest AIDS conference in the country. Members are eligible for generous scholarship opportunities to the United States Conference on AIDS and discounts to our meetings.

### PUBLICATIONS

NMAC's ongoing publications keep members updated on the latest events, issues and information serving your professional needs.

### PUBLIC POLICY

Our public policy department works with key decision makers on and off the Hill to promote sound strategies that work for you and the people you serve.

### TECHNICAL ASSISTANCE

NMAC conducts on-site management and organizational needs assessments to support the health of front-line AIDS programs.

### TREATMENT EDUCATION AND ADVOCACY

We provide training and direction on establishing and enhancing treatment services for communities of color.

We encourage constructive dialogue between treatment programs and key decision makers in government and industry to ensure policies of inclusion.

### I Want to be a Leader in the Fight Against HIV/AIDS!

Become part of the powerful national voice of over 3,000 minority community based organizations fighting to win the war against AIDS. NMAC provides its members with representation on Capitol Hill, comprehensive technical assistance, innovative communications programs, a wide range of publications and a dedication to develop leadership within communities of color to address issues of HIV/AIDS infection. For more information contact the NMAC membership department.



SEND COMPLETED FORM TO:

1931 13TH STREET, NW, WASHINGTON, DC 20009-4432  
TEL 202/483-NMAC (6622) FAX 202/483-1135 • www.nmac.org

Name \_\_\_\_\_

Title \_\_\_\_\_

Organization \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Phone ( ) \_\_\_\_\_

Fax ( ) \_\_\_\_\_

E-mail \_\_\_\_\_

Enclosed is my membership contribution of \$\_\_\_\_\_. See fees at right.

Check Enclosed

Please charge my credit card:

MasterCard VISA American Express

Account # \_\_\_\_\_

Expiration \_\_\_\_\_

Cardholder Name (Print) \_\_\_\_\_

Authorized Signature \_\_\_\_\_

### NON PROFIT ORGANIZATION MEMBERSHIP FEES

For Community Based Organizations and National HIV/AIDS-Related Associations:

IF YOUR ANNUAL BUDGET IS:	YOUR ANNUAL MEMBERSHIP FEE:
less than \$250,000	\$ 125
\$250,000 to \$499,999	\$ 250
\$500,000 to \$999,999	\$ 500
\$1,000,000 to \$1,999,999	\$ 750
\$2,000,000 and above	\$1,000

### Health Departments

IF YOUR ANNUAL BUDGET IS:	YOUR ANNUAL MEMBERSHIP FEE:
less than \$150,000	\$ 125
\$150,000 and above	\$ 250





## ACTION HANDBOOK FOR BOARDS

Please take a couple of minutes to tell us about your overall experience with this manual. Your feedback will greatly assist us with future manuals. Thank you for your cooperation!

Please rate the manual according to the criteria listed below by circling a number from 1 - 10 where:

1-2=Poor

3-4=Fair

5-6=Good

7-8=Excellent

9-10=Outstanding

	Poor		Fair		Good		Excellent		Outstanding	
1. Overall learning experience	1	2	3	4	5	6	7	8	9	10
2. Overall usefulness	1	2	3	4	5	6	7	8	9	10
3. Manual's Organization	1	2	3	4	5	6	7	8	9	10
4. Relevance of bibliographic/additional resources	1	2	3	4	5	6	7	8	9	10

### Chapters

5. What are the responsibilities of the board?	1	2	3	4	5	6	7	8	9	10
6. How are boards organized?	1	2	3	4	5	6	7	8	9	10
7. Board/staff partnership	1	2	3	4	5	6	7	8	9	10
8. Board affairs	1	2	3	4	5	6	7	8	9	10
9. Further resources	1	2	3	4	5	6	7	8	9	10

10. Which chapter did you find most useful? Why?

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11. Which chapter did you find the least useful? Why?

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Please return this completed form by fax or mail: National Minority AIDS Council,  
1931 13th Street, NW, Washington, DC 20009-4432. Fax: 202-483-1135



# Why Join NMAC?

NMAC is the only **national AIDS organization** dedicated solely and specifically to minority communities.

NMAC sponsors **award-winning conferences** including the *National Skills Building Conference, Our Place At The Table* and the *Prevention Summit*.

NMAC's TA department provides **unsurpassed technical assistance** and training to member CBOs.

NMAC's Public Policy department **protects your rights** on Capitol Hill.

NMAC's Treatment and Research department **advocates for better treatments** and treatment information in communities of color.

NMAC produces **national prevention education campaigns** directed at people of color living with HIV.

NMAC's membership of over 600 CBOs around the country provides members with **opportunities for networking and collaboration**.

NMAC produces **state-of-the-art technical assistance manuals** such as the "Strategic Planning Manual For AIDS Service Organizations" and the "Finance Manual."

NMAC's ongoing publications, **TA Newsletter and Update**, keep members updated on the latest events, issues and information in the fight against AIDS.

NMAC's Honorary Board Chair is Grammy award-winning artist, **Patti LaBelle**.

NMAC has created the, **"Women's Project"** to document and address the needs of women and families of color affected by HIV/AIDS.

**NMAC is dedicated to using all of its resources on a national level to help develop leadership in minority communities to address issues of HIV/AIDS.**

## I WANT TO BE A LEADER IN THE FIGHT AGAINST HIV/AIDS!

By joining the National Minority AIDS Council, your organization becomes part of the powerful national voice of over 600 minority community based organizations fighting to win the war against AIDS. NMAC provides its members with representation on Capitol Hill, comprehensive technical assistance, innovative communications programs, a wide range of publications and a dedication to develop leadership within communities of color to address issues of HIV/AIDS infection. For more information contact the NMAC membership department.



**NATIONAL MINORITY AIDS COUNCIL**

SEND COMPLETED FORM TO:

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Name \_\_\_\_\_

Title \_\_\_\_\_

Organization \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone ( ) \_\_\_\_\_

FAX ( ) \_\_\_\_\_

Enclosed is my membership contribution of \$\_\_\_\_\_. See fees at right.

☐ Check Enclosed

☐ Please charge my credit card:  
☐ MasterCard ☐ VISA

Account # \_\_\_\_\_

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Cardholder Name (Print) \_\_\_\_\_

Authorized Signature \_\_\_\_\_

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☐ Health Departments

IF YOUR ANNUAL BUDGET IS:	YOUR ANNUAL MEMBERSHIP FEE IS:
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\$150,000 and above	\$ 250







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MINORITY  
AIDS  
COUNCIL

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